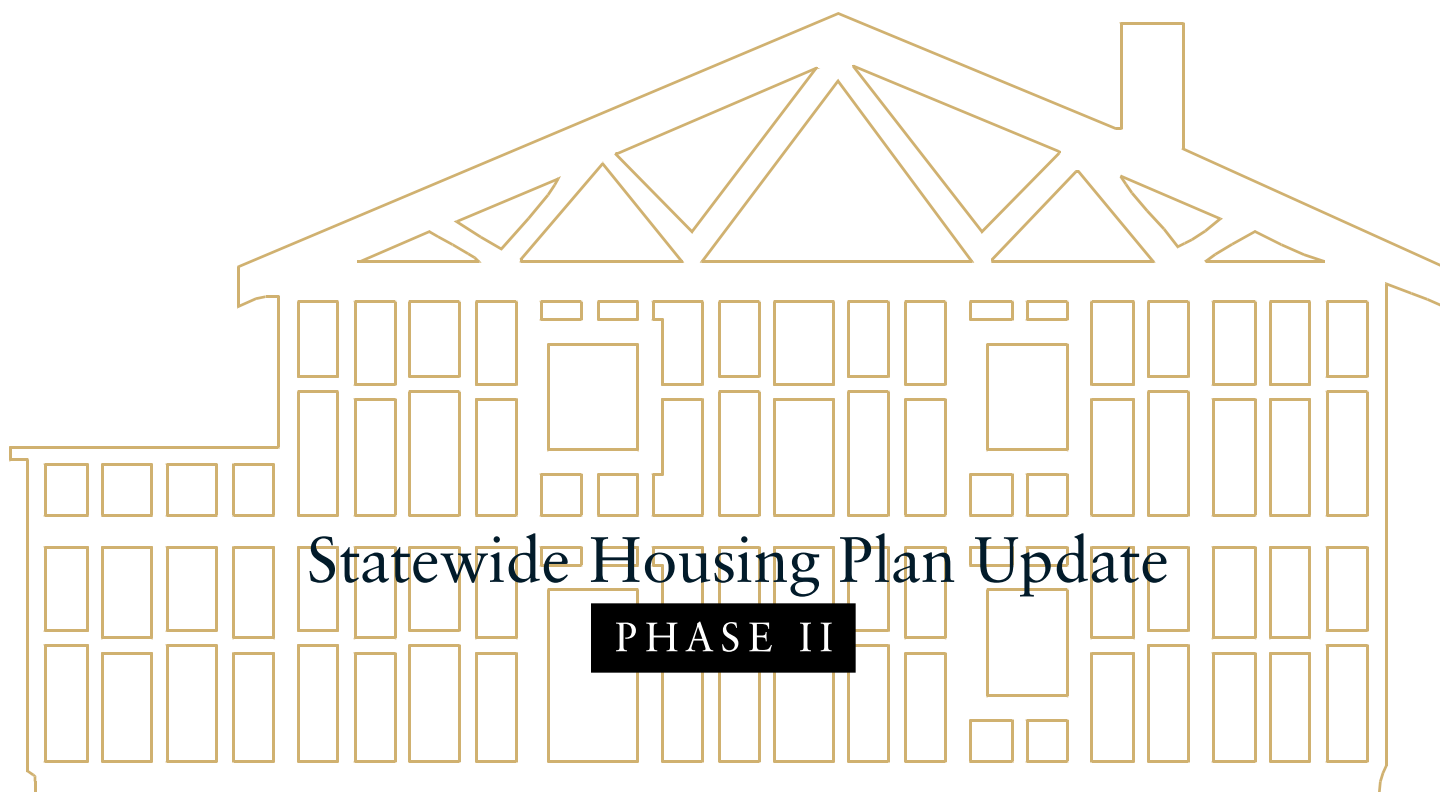


California's

HOUSING MARKETS

1990-1997

*Department of Housing &
Community Development*



Statewide Housing Plan Update

PHASE II

1998

The State of California's Housing Markets 1990 - 1997

STATE OF CALIFORNIA
Gray Davis, Governor

Business, Transportation and Housing Agency
Maria Contreras-Sweet, Secretary

Department of Housing and Community Development
Judy Nevis, Acting Director

Division of Housing Policy Development
Cathy E. Creswell, Acting Deputy Director
Linda M. Wheaton, Program Manager

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Phase II, January 1999

Prepared with the participation of HCD by the
Institute for Urban and Regional Development, University of California Berkeley
Michael Smith-Heimer, Principal Author
Karen Christensen, Principal Investigator
Natalie Bonnewit, Denis Hall, Josh Kirschbaum, & Jack Sylvan
Research Assistants

Introduction

Health and Safety Code Section 50450 et.seq. requires the California State Department of Housing and Community Development (HCD) to prepare and periodically update the California Statewide Housing Plan (CSHP). The CSHP is prepared in phases. This phase of the CSHP portrays housing conditions, while subsequent phases will further assess housing needs and issues for policy consideration.

An update of the CSHP, addressing the relationship between housing and the State's economy (considered the Phase I update for the 1990s), was published in November, 1996. An update to the CSHP was addressed in the early 1990s by a new federal planning requirement for a Consolidated Plan (initially a CHAS). The State of California's Consolidated Plan for 1995/96 - 1999/2000 includes housing market conditions data based on the 1990 Census.

This document reports housing conditions subsequent to the 1990 Census, on the basis of information available through 1997. One of the primary statistical bases for this update of conditions is from the American Housing Survey (by the US Census Bureau) of several of the State's major metropolitan areas between 1993-1996, the last of which became available in 1997.

HCD is interested in hearing about, and encourages further data development and research on California's complex housing market conditions. Information the CSHP or other information on California housing issues can be addressed to HCD, Division of Housing Policy Development, (916) 324-8652, or by email to: cahouse@hcd.ca.gov.

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Executive Summary

California housing is provided through a diverse set of local markets. From the mountain areas, heavily influenced by high seasonal demand, to the Central Valley, with relatively high vacancy rates and significant concentrations of farmworkers, to the extremely “hot” Bay Area market, to the very populous and diverse Greater Los Angeles Region, the performance and condition of housing markets vary widely.

Demand for housing is growing. From the beginning of 1997 through mid-2003, the State will need 1.1 – 1.2 million additional housing units. Although California experienced a recession early in this decade and real per capita income fell 2.5 percent, by 1997 overall employment grew by 7.3 percent, and population by 10 percent. Demand for housing has been fueled by a return to migration into the State, coupled with the continued growth of individuals in household forming ages. These circumstances, combined with an ongoing trend for smaller and older households, will continue.

Yet housing production has lagged. There appears to be a growing gap, however, between what the market can provide and what is needed for sustaining the State’s economic growth. Housing production in the State has lagged the rates of the 1980s by more than 50 percent; average annual residential building permits fell from over 200,000 in the 1980s to approximately 100,000 from 1990 to 1997. Metropolitan markets in particular, have not kept pace with demand. The greatest shortfall has been in multifamily construction, which constituted only 24 percent of residential permits during the 1990 to 1997 period. This stands in sharp contrast to the 1980’s, when multifamily permits accounted for 44 percent of total permits.

While non-metropolitan housing markets have generally experienced increased vacancy levels during the 1990s, metropolitan housing markets have generally not kept pace with housing demand. In particular, those metropolitan areas with significant economic improvements (particularly the San Francisco Bay Area, the Greater Los Angeles Region and San Diego) have experienced a tightening of housing markets. In other metropolitan regions, the relative balance between household growth and housing units has kept pace through the 1990s.

Despite the concentration of construction in single-family housing through this decade, declines in home prices in many areas of the State (particularly in the early part of the decade), and low interest rates, **the State’s homeownership rate remains among the lowest in the country, significantly below the national rate. Many of these owners face high cost burdens** – nearly a third of the State’s homeowners spend more than 30 percent of their income on housing.

As of 1990, California was one of only two states with median rents exceeding \$600. The already high rent levels rose in 1990s in much of the State, with particularly steep increases in the San Francisco Bay Area from 1995 to 1997. Given the increase in lower-income households in the State and ongoing declines in lower priced rentals, there are strong price pressures on lower priced urban rental units. Additional research is needed to further explore the movement of rental price movements for “affordable” rental units in the State.

It is evident that **renter cost burdens pose a significant problem.** Statewide, more than two million households – nearly half of all renters – paid more than 30 percent of their income on housing. For poor renters, the problem is still more grim: in 1995, three quarters of low-income and 86 percent of very low-income households in key metropolitan areas were paying more than 30 percent of their income for housing – 63 percent of low-income and nearly 80 percent of very low-income

households were spending in excess of 50 percent of their income for housing. These estimates highlight one of the most critical challenges in California – the need for an ongoing effort to create additional rental housing within the State.

Overcrowding within the State has been on the rise since 1980. By 1990, more than 1.2 million households within the State experienced overcrowded housing conditions. Although available evidence suggests that overcrowding has not increased significantly in most metropolitan areas in the current decade, overcrowding in Los Angeles County, the Anaheim-Santa Ana, and San Jose areas all increased in the 1988 to 1995 period (22, 24, and 68 percent respectively). Major factors associated with overcrowding include family size and income. Thus, 65 percent of large family rental households (5+ persons) were overcrowded in 1995. This overcrowding appears to be influenced by a lack of large units, particularly rental units (only 20 percent of the rental stock within the State is 3 or more bedrooms). The rates of overcrowding for very low-income households range from 6 to 14 times higher than other households. Hispanic households experience the greatest rates of overcrowding, accounting for over three-quarters of severely overcrowded households and 68 percent of all overcrowded households.

As the State's 12 million housing units age, rehabilitation and repair needs are increasing. It is estimated that approximately 12 percent of the overall housing stock is in need of rehabilitation, although the proportion of such needs vary widely within different areas of the State. Rehabilitation needs are most concentrated in the rental housing stock.

A substantial portion of publicly-assisted affordable rental housing developments statewide are at-risk of conversion to market rate use. Developments that have had project-based federal assistance such as Section 8 rental contracts and low-interest mortgages are subject to reduced federal support and or release of low-income use restrictions. This situation threatens thousands of low-income elderly households and families, exacerbating local housing needs.

Farmworkers and their families face unique housing issues within the State. An estimated 850,000 farmworkers (with a total household population of approximately 1.35 million individuals) support the California agricultural economy. These individuals and households are often transitory, moving throughout the State, at least during parts of the year, forced to live in substandard overcrowded conditions.

Although inherently difficult to quantify, the State's homeless population in 1997 was estimated at more than 360,000 persons, about 1.1 percent of the State's population in 1997. About 65 percent of the homeless "households" are individuals, while 35 percent are families. Homeless population, while evident in all counties within the State, is concentrated in the Bay Area, the Greater Los Angeles Region, Sacramento and the Coastal regions of the State. An estimated 15 percent of homeless people within the State constitute single individuals in need of an emergency bed; the remaining need is for emergency housing for families as well as transitional and permanent housing needed for both individuals and households.

Introduction

California is home to more than 33 million residents – approximately 12 percent of the nation's population. These residents call more than 11 million housing units "home." This report highlights the changing conditions of these households and housing units during the 1990s. It also explores key issues that have and will continue to influence the health of California's housing markets.

Factors Influencing Housing Demand in California

The health of California's housing markets are influenced by household demand, a function of both demographic shifts and income and by housing available for households generated from both existing and new housing supplies. While supply considerations will be explored in the next section of this document, underlying demand factors are outlined below.

The State's housing market shifts with the tide of household demand for housing. While the factors that underlie demand are varied, they are strongly influenced by at least three factors. The growth of demand is spurred by demographic shifts, driven by age-related expansion and contraction of households and the relative demographic shift of households within the State. In addition, rising and falling employment influences household income, fueling the demand for housing demand. These factors interact with changes in the supply of housing. The interaction of land costs and economic conditions (interest rates, etc.) influence the pace of housing construction. These new supplies, in combination with existing housing, influence underlying vacancies in local markets – ultimately playing out through changes in prices in both the rental and ownership markets. These prices and rents ultimately distribute the supply of housing to households throughout the State.

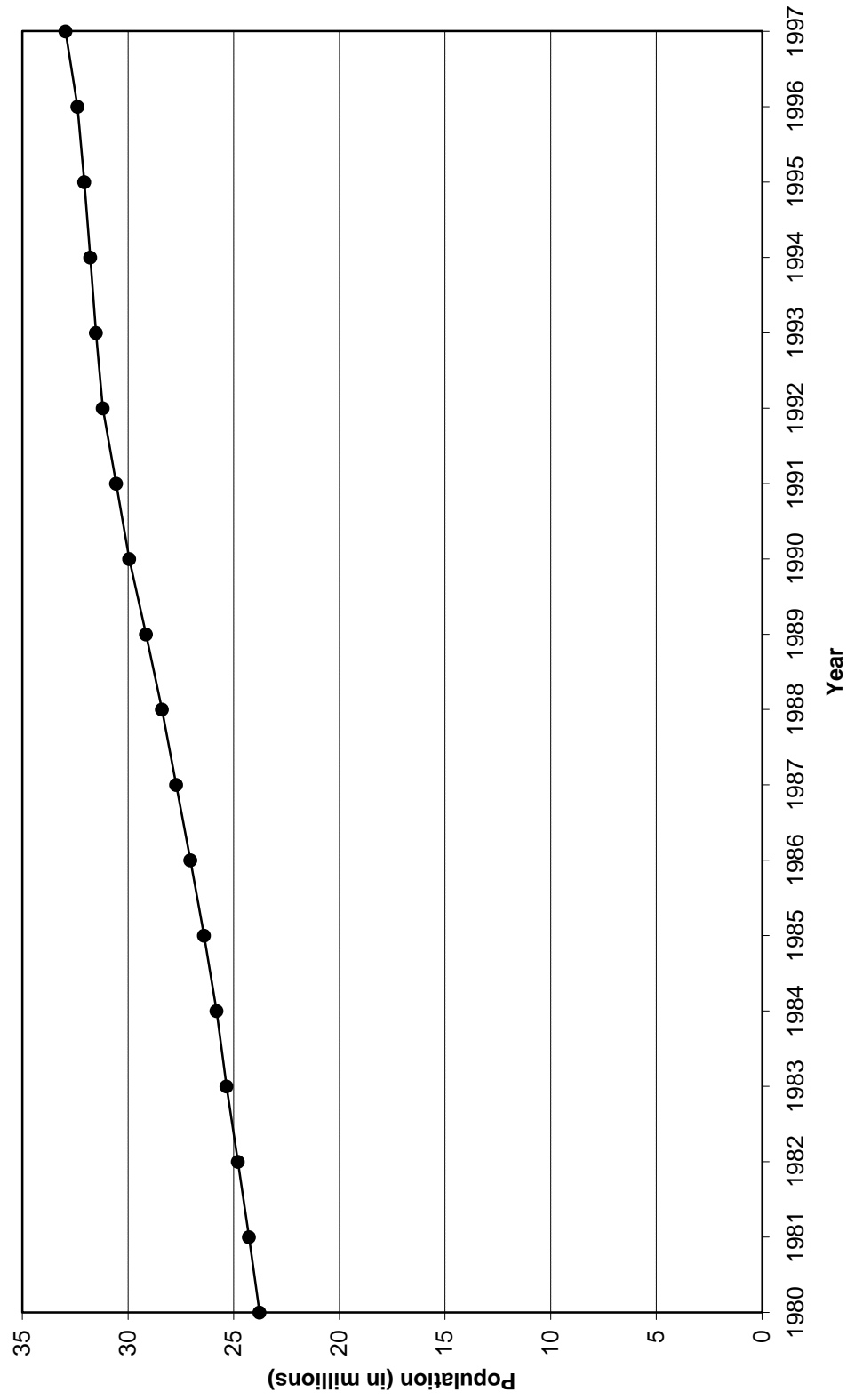
The Components of Population Change During the Decade

Housing markets in California are fueled by population growth. Households that migrate into the area directly translate into new housing demand. In addition, natural increases, while not directly increasing housing demand, play out in housing markets as individuals age – these households demand housing as they form new households over time, particularly when individuals enter the peak housing formation period. Thus, both natural increase and migration influence housing demand, either directly, in the case of migration, or indirectly (through the changing age structure of individuals and households).

California's population increased by about 3.2 million residents (10.7 percent) from April 1, 1990, rising from 29.758 million to 32.957 million in July, 1997 (see Figure 1). Throughout the early part of the decade, population growth dampened, declining from 2.7 percent annually in 1991 to about .86 percent in the 1993-95 period, gradually expanding, particularly between 1996 and 1997, when rates returned to turn-of-the-decade growth rates (1.77 percent).

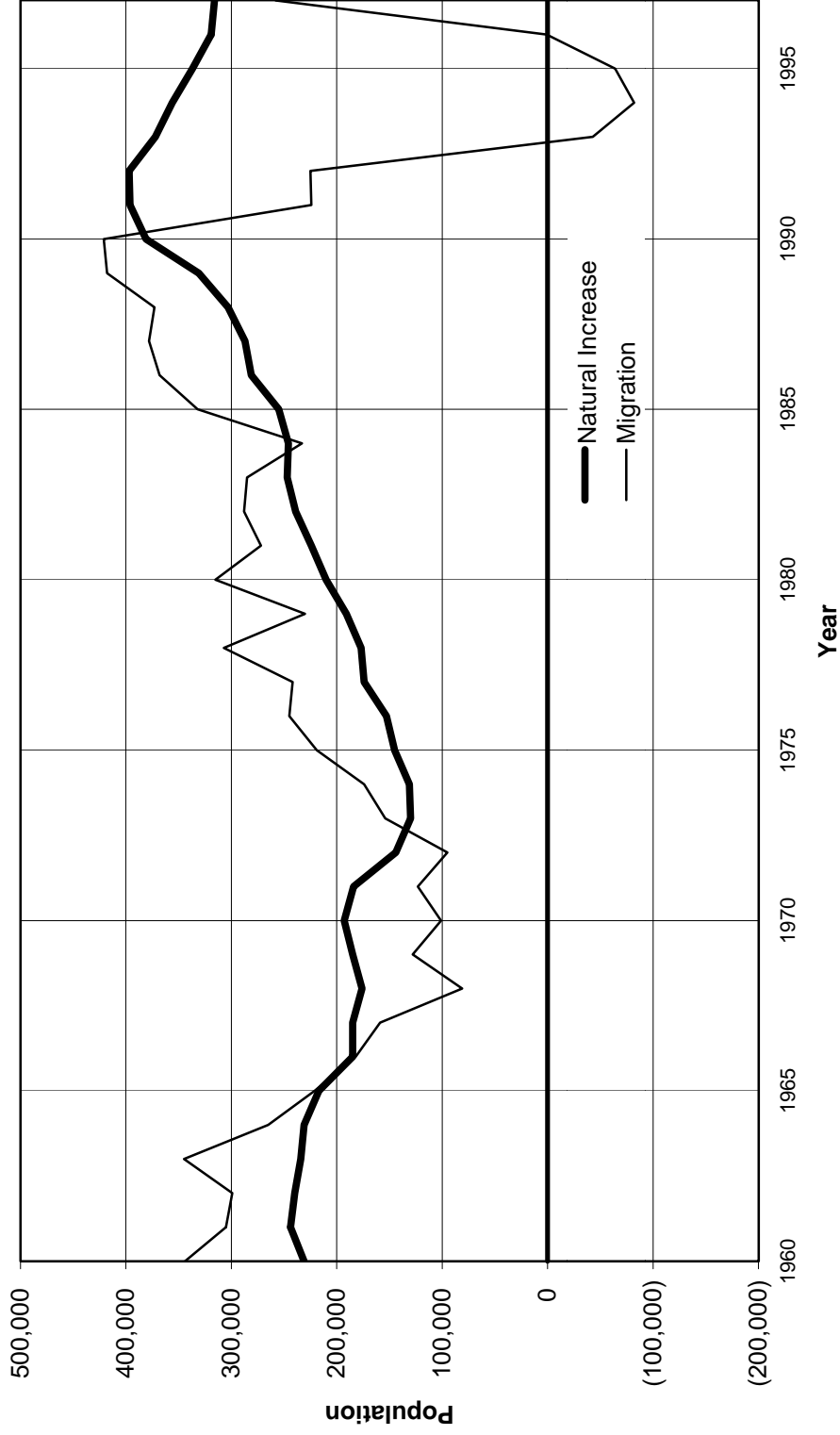
The early 1990s reflected a marked shift in historic population growth patterns. An estimated 1.2 million residents left California from mid-1992 through mid-1996. While migration has been a significant component of growth within the State for more than three decades, overall migration fell precipitously throughout this decade (see Figure 2). This has had important impacts on housing markets – housing demand for migrating households fuels immediate demand for housing units (as these households generally seek to establish residence, demand is immediate). While natural increase continued to fuel population growth, high out-migration dampened overall growth. Overall, during the July 1990 to July 1997 period, over 80 percent of total population growth (nearly 2.5

Figure 1
Estimated California Population 1980 to 1997



Source: California Department of Finance, Table E-7: Historical State Estimates, with Components of Change and Crude Rates, July 1941-1997 (released January 29, 1998).

Figure 2
Migration and Natural Increase in California
 1960 to 1997



Source: California Department of Finance, Table E-7: Historical State Estimates, with Components of Change and Crude Rates, July 1941-1997 (released January 29, 1998).

million) was generated by the natural increase in population (excess births over deaths within the State). During the same period, migration into the State was about 520,000. However, in the July 1992 to July 1996 period, it is estimated that the State experienced negative migration, losing nearly 200,000 persons, though overall migration renewed in the July 1996 to July 1997 period, reaching nearly 260,000.

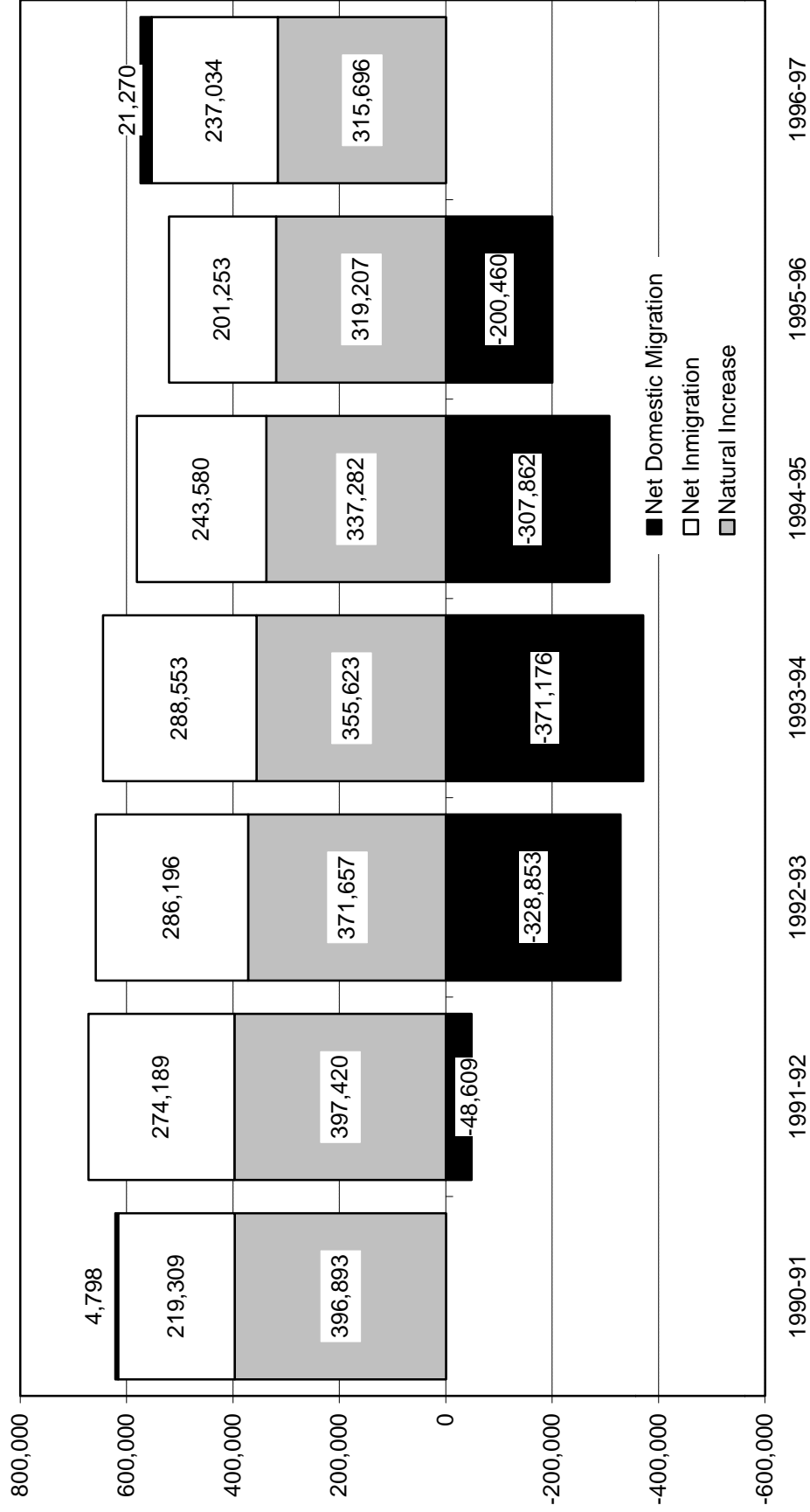
Aggregate figures mask the dynamics of change within the State (see Figure 3), however while net migration was negative between July 1992 to July 1995 (net in-migration plus domestic migration), net domestic migration was negative from July 1991 through July 1996. Thus, while 1.75 million persons migrated into California counties, more than 1.23 million migrated out of the State in the July 1990 to July 1997 period. Natural increases in population dampened in the July 1990 to July 1997 period, declining from nearly 400,000 at the beginning of the decade to about 315,000 in the July 1996 to July 1997 period. Moreover, while net domestic migration is no longer negative, it remains a minor portion of overall State change.

Not only did population change vary statewide, the distribution of population growth varied tremendously within the State, both in relation to the scale and sources of growth. Overall, growth in the State's metropolitan areas accounted for over 96 percent of population growth, including over 98 percent of natural population increase and 86 percent of migration-based population changes. Non-metropolitan areas were more heavily influenced by migration – only 35 percent of population growth in these areas was generated by natural increases in population. The overall pattern (see Figure 4) highlights the relative pace of change within individual counties within the State – the greatest rates of change are centered in the Central Valley and outlying suburban areas around all the major metropolitan areas.

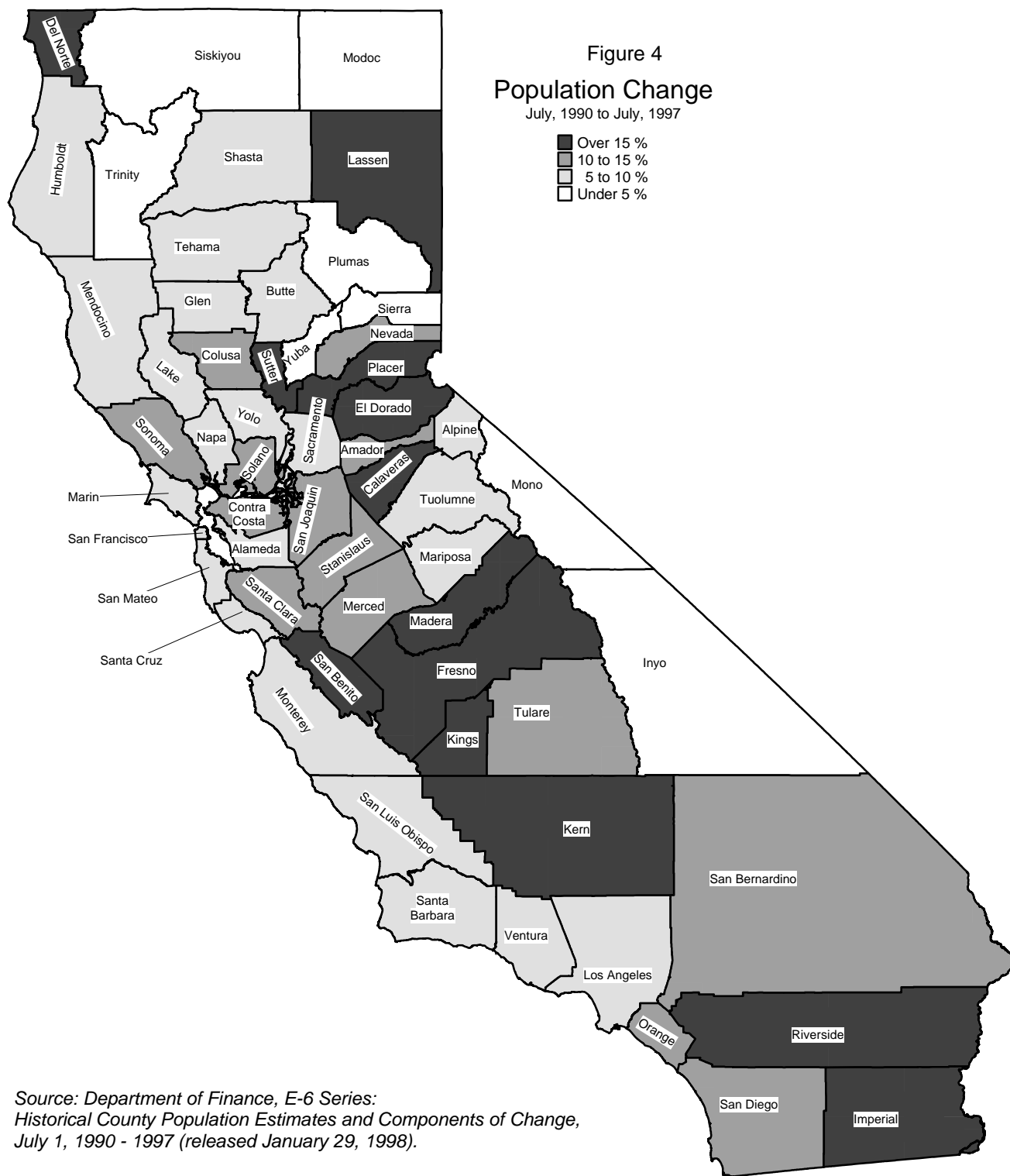
The overall pattern within the State in the 1990 to 1997 period highlights that while the Greater Los Angeles Region and the Bay Area remain the largest population centers in the State, they are growing more slowly than other areas in the State, consistent with a national trend of population shifts to smaller metropolitan (and non-metropolitan) areas. Within the metropolitan regions, the relative sources of population change were particularly revealing (see Table 1). The significant out-migration that occurred was concentrated in Los Angeles and Monterey counties, reflecting the impact of defense spending cutbacks and base closures. In the Greater Los Angeles Region, growth was heavily driven by natural increases in population, accounting for nearly all of the net population change within the Region. This was true in all counties within the Region, with natural increases generally providing the greatest driving force behind population changes. Within the Region, only in Riverside and Imperial counties did migration constitute a significant proportion of population change. Los Angeles County experienced negative migration of population, with 3 percent of population migrating from the County in the 1990 to 1997 period. To the south, overall growth in the San Diego Area was strong (11 percent overall), driven largely by natural increase (accounting for over 80 percent of aggregate growth).

Three regions in the State had population changes that were driven more heavily by migration – the Bay Area, Sacramento and the Northern California Non-metropolitan Region. In each of these areas, more than one-third of population change was generated by migration into the region. In the Bay Area, migration-induced growth accounted for about 40 percent of population change (although the Bay Area share of statewide population declined from 20.23 to 20.12 percent of total State population). Migration was a particularly significant component of change in San Francisco, Napa and Santa Rosa counties, with migration accounting for 84, 78 and 63 percent of population change, respectively.

Figure 3
Sources of Population Growth in California
 July, 1990 to July, 1997



Source: California Department of Finance, E-6: Historical County Population Estimates and Components of Change, July 1, 1990 - 1997 (released on January 29, 1998).



Source: Department of Finance, E-6 Series:
Historical County Population Estimates and Components of Change,
July 1, 1990 - 1997 (released January 29, 1998).

Table 1

Population and Sources of Change

1990 to 1997

	POPULATION		POPULATION CHANGE			SOURCES OF CHANGE			Share of Growth		
	April-90	July-97	Natural Increase	Migration	Total	Natural Increase	Migration	Total	Share of Population in 1990	Share of Population in 1997	Share of Statewide Growth
Metropolitan Areas											
Greater Los Angeles Metro											
Los Angeles County	8,863,052	9,524,600	912,510	(250,962)	661,548	10%	-3%	7%	29.78	28.90	20.68
Orange County	2,410,668	2,705,300	256,250	38,382	294,632	11%	2%	12%	8.10	8.21	9.21
Riverside County	1,170,413	1,423,700	105,290	147,997	253,287	9%	13%	22%	3.93	4.32	7.92
San Bernardino County	1,418,380	1,617,300	157,279	41,641	198,920	11%	3%	14%	4.77	4.91	6.22
Ventura County	669,016	727,200	59,256	(1,072)	58,184	9%	0%	9%	2.25	2.44	1.82
Imperial County*	109,303	142,700	14,339	19,058	33,397	13%	17%	31%	0.37	0.43	1.04
Total Greater Los Angeles Metro Region	14,640,832	16,140,800	1,504,925	(4,957)	1,499,968	10%	0%	10%	49.20	54.24	46.89
Bay Area											
San Francisco County	723,959	777,400	8,428	45,013	53,441	1%	6%	7%	2.43	2.36	1.67
Marin County	230,096	243,300	7,196	6,008	13,204	3%	3%	6%	0.77	0.74	0.41
San Mateo County	649,623	711,700	39,575	22,502	62,077	6%	3%	10%	2.18	2.16	1.94
Alameda County	1,276,702	1,398,500	78,212	43,586	121,798	6%	3%	10%	4.29	4.24	3.81
Contra Costa County	803,732	896,200	49,188	43,280	92,468	6%	5%	12%	2.70	2.72	2.89
Santa Clara County	1,497,577	1,671,400	133,969	39,854	173,823	9%	3%	12%	5.03	5.07	5.43
Sonoma County	388,222	432,800	16,349	28,229	44,578	4%	7%	11%	1.30	1.31	1.39
Solano County	339,471	378,600	28,447	10,682	39,129	8%	3%	12%	1.14	1.15	1.22
Napa County	110,765	121,200	2,337	8,098	10,435	2%	7%	9%	0.37	0.37	0.33
Total Bay Area Region	6,020,147	6,631,100	363,701	247,252	610,953	6%	4%	10%	20.23	20.12	19.10
Sacramento											
Sacramento County	1,041,219	1,146,800	79,419	26,162	105,581	8%	3%	10%	3.50	3.48	3.30
Placer County	172,796	215,600	9,194	33,610	42,804	5%	19%	25%	0.58	0.65	1.34
El Dorado County	125,995	147,400	6,245	15,160	21,405	5%	12%	17%	0.42	0.45	0.67
Sutter County	64,415	76,100	4,657	7,028	11,685	7%	11%	18%	0.22	0.23	0.37
Yuba County	58,228	61,200	5,537	(2,565)	2,972	10%	-4%	5%	0.20	0.19	0.09
Yolo County	141,210	154,900	9,430	4,260	13,690	7%	3%	10%	0.47	0.47	0.43
Total Sacramento Region	1,603,863	1,802,000	114,482	83,655	198,137	7%	5%	12%	5.39	5.47	6.19
Central Valley											
Fresno County	667,490	778,700	76,216	34,994	111,210	11%	5%	17%	2.24	2.36	3.48
Madera County	88,090	113,500	8,818	16,592	25,410	10%	19%	29%	0.30	0.34	0.79
Kern County	544,981	634,400	59,998	29,421	89,419	11%	5%	16%	1.83	1.92	2.80
San Joaquin County	480,628	542,200	39,825	21,747	61,572	8%	5%	13%	1.62	1.65	1.92
Stanislaus County	370,522	425,400	32,555	22,323	54,878	9%	6%	15%	1.25	1.29	1.72
Merced County	178,403	202,000	21,781	1,816	23,597	12%	1%	13%	0.60	0.61	0.74
Tulare County	311,921	358,300	34,609	11,770	46,379	11%	4%	15%	1.05	1.09	1.45
Kings County*	101,469	117,700	11,679	4,552	16,231	12%	4%	16%	0.34	0.36	0.51
Total Central Valley Region	2,743,504	3,172,200	285,480	143,216	428,696	10%	5%	16%	9.22	9.63	13.40
San Diego Region	2,498,016	2,763,400	220,016	45,368	265,384	9%	2%	11%	8.39	8.38	8.30

Table 1 (continued)
Population and Sources of Change
1990 to 1997

	POPULATION		POPULATION CHANGE		SOURCES OF CHANGE		Share of Growth	
	April-90	July-97	Natural Increase	Migration Total	Natural Increase	Migration Total	Population in 1990	Share of Population in 1997
Central Coast Region								
Monterey County	355,660	377,800	37,664	(15,524)	11%	-4%	1.20	1.15
San Luis Obispo County	217,162	234,700	6,742	10,796	3%	5%	0.73	0.71
Santa Barbara County	369,608	400,800	26,049	5,143	7%	1%	1.24	1.22
Santa Cruz County	229,734	247,200	15,434	2,032	7%	1%	0.77	0.75
San Benito County*	36,697	46,150	3,865	5,588	11%	15%	0.12	0.14
Total Central Coast Region	1,208,861	1,306,650	89,754	8,035	7%	1%	4.06	3.96
Northern California Region								
Butte County	182,120	198,500	3,928	12,452	2%	7%	0.61	0.60
Shasta County	147,036	163,300	4,805	11,459	3%	8%	0.49	0.50
Tehama County*	49,625	54,700	1,257	3,818	3%	8%	0.17	0.17
Glenn County*	24,798	26,900	1,647	455	7%	2%	0.08	0.08
Colusa County*	16,275	18,600	1,291	1,034	8%	6%	0.05	0.06
Total Northern California Region	419,854	462,000	12,928	29,218	3%	7%	1.41	1.40
NONMETROPOLITAN AREAS								
Northern California Nonmetropolitan Region								
Del Norte County*	23,460	28,400	896	4,044	4%	17%	0.08	0.09
Humboldt County*	119,118	126,100	3,657	3,325	3%	3%	0.40	0.38
Mendocino County*	80,345	86,000	2,590	3,065	3%	4%	0.27	0.26
Lake County*	50,631	55,100	(634)	5,103	-1%	10%	0.17	0.17
Siskiyou County*	43,531	44,300	106	663	0%	2%	0.15	0.13
Modoc County*	9,678	10,150	139	333	1%	3%	0.03	0.03
Trinity County*	13,063	13,250	42	145	0%	1%	0.04	0.04
Lassen County*	27,598	33,850	1,074	5,178	4%	19%	0.09	0.10
Plumas County*	19,739	20,450	17	694	0%	4%	0.07	0.06
Sierra County*	3,318	3,370	(63)	115	-2%	3%	0.01	0.01
Nevada County*	78,510	88,400	867	9,023	1%	11%	0.26	0.27
Total Northern California Nonmetropolitan Region	468,991	509,370	8,691	31,688	2%	7%	1.58	1.55
Central-Southern California Region								
Amador County*	30,039	33,450	(300)	3,711	-1%	12%	0.10	0.10
Alpine County*	1,113	1,200	49	38	4%	3%	0.00	0.00
Calaveras County*	31,998	37,950	213	5,739	1%	18%	0.11	0.12
Tuolumne County*	48,456	52,200	188	3,556	0%	7%	0.16	0.16
Mariposa County*	14,302	15,950	159	1,489	1%	10%	0.05	0.05
Mono County*	9,956	10,500	786	(242)	8%	-2%	0.03	0.03
Inyo County*	18,281	18,300	223	(204)	1%	-1%	0.06	0.06
Total Central-Southern California Region	154,145	169,550	1,318	14,087	1%	9%	0.52	0.51
All Metropolitan Areas	28,796,910	31,871,400	2,557,207	517,283	9%	2%	96.77	96.71
*Non-Metropolitan Areas	961,303	1,085,670	44,089	80,278	5%	8%	3.23	3.29
Total State	29,758,213	32,957,070	2,601,296	597,561	9%	2%	100.00	100.00

Source: California Department of Finance, E-6: Historical Population Estimates and Components of Change, July 1, 1990 - 1997 (Released January 29, 1998)

In the Sacramento Region, strong migration was experienced in Placer, Sutter and El Dorado counties. Overall, the region experienced about a 12 percent rate of growth during the 1990 to 1997 period, with over 40 percent of growth generated by migration into counties within the Region.

Counties throughout the Central Valley experienced the highest rate of growth within the State, averaging 16 percent during the 1990 to 1997 period. This growth was influenced by strong natural increase throughout the Region (averaging 10 percent in the Region) and a strong pattern of migration within counties of the Region (over 5 percent on average). By mid-1997, the Region had increased from 9.22 percent of statewide population to about 9.63 percent, the single largest regional change in population share within the State.

Population changes – both natural increase and migration – throughout the decade have thus shifted the relative share of population within individual counties and regions. Despite overall growth in the Greater Los Angeles, Bay Area and San Diego regions, their share of overall State population declined between 1990 and 1997 (although Orange, Riverside and San Bernardino counties expanded significantly as a share of the State). Conversely, the share of statewide population within the central portion of the State increased, particularly the Central Valley Region (and to a lesser extent the Sacramento Region). The relative share of statewide population in the remaining regions of the State did not shift significantly.

The composition of population within the State has also changed (see Table 2). Overall, in the 1990 to 1996 period (the last period with detailed ethnic/racial breakdowns), the relative composition of population continues to change. For this period, there was a net change in population of 2.6 million, comprised largely of an excess of births over deaths within the State (about 87 percent of overall growth was generated by natural increases in population). White population within the State accounted for about 2 percent of this change, with statewide out-migration of approximately 313,000 individuals offsetting a natural increase of 360,000. Growth in the Hispanic population accounted for 63 percent of the population change within the State, about 64 percent of natural population increase and an additional 188,000 residents that migrated to the State. Asian and Pacific Islanders accounted for about 28 percent of population change, heavily centered in migration (with over 451,000 new residents migrating to the State). Black population within the State accounted for about 7 percent of overall population change, largely a reflection of natural increase during the period. Finally, Native Americans accounted for about .4 percent of statewide population growth, limited to natural increase (with out-migration of about 3,500 from the State during the period).

Underlying population change has and will continue to influence both the nature and level of demand for housing throughout the State. Growth generated by natural increases in population will not necessarily be expressed in immediate demands for new housing units but a fall off in migration will likely dampen overall demand for housing (since these households must establish new residence in the State, they are more likely to generate short-term housing demand). The underlying age structure of existing population will form households at a predictable rate, not strongly influenced by natural increase (see Figure 5).

Migration will thus tend to generate increased housing demand (regardless of age of migrating households). Migration has only recently returned close to historic patterns; this may spur household demand within the State, particularly in locations that have absorbed these new households. This impact has been uneven. While decreased migration particularly impacted the Greater Los Angeles Region, it was most strongly felt in Los Angeles County. During this same period, migration accounted for a 13 percent increase in population within Riverside County. Throughout the Bay Area,

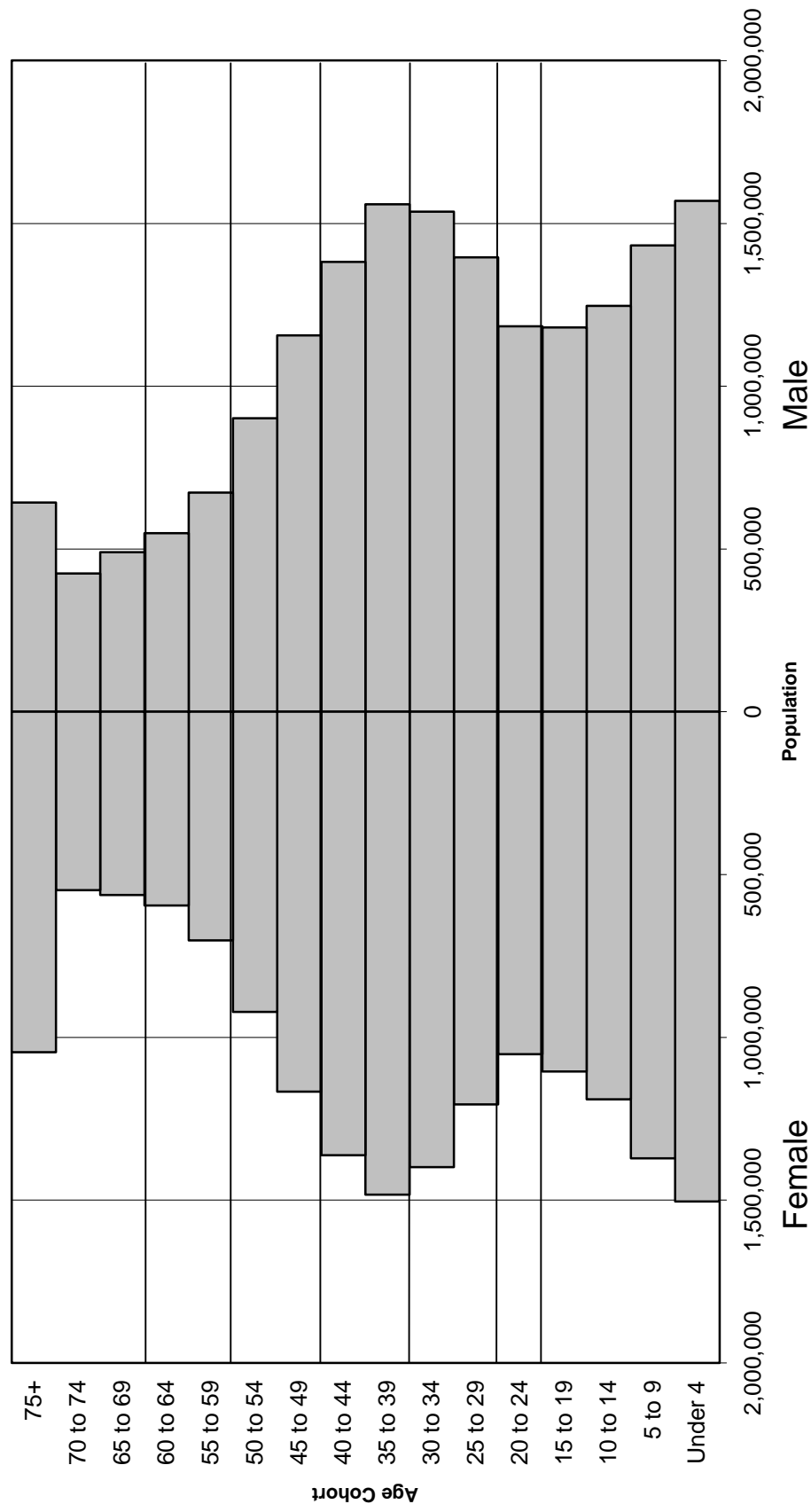
Table 2
State of California
Population Change April, 1990 to July, 1996
and Components of Change

	Population		1990 to 1996 Change	
	April, 1990	July, 1996	Natural Increase	Net Migration
White	17,084,368	17,130,818	359,521	-313,071
Hispanic	7,687,887	9,330,829	1,455,194	187,748
Asian/Pacific Islander	2,709,932	3,452,610	291,156	451,522
Black	2,091,964	2,275,332	159,637	23,731
Native American	<u>184,062</u>	<u>193,499</u>	<u>12,882</u>	<u>-3,445</u>
Total	29,758,213	32,383,087	2,278,390	346,484
Total Change		2,624,874	2,278,390	346,484

	Share of Growth Attributable to			Percent of State Population	
	Natural Increase	Net Migration	Total Share of Growth	April, 1990	July, 1996
White	13.7%	-11.9%	1.8%	57.4%	52.9%
Hispanic	55.4%	7.2%	62.6%	25.8%	28.8%
Asian/Pacific Islander	11.1%	17.2%	28.3%	9.1%	10.7%
Black	6.1%	0.9%	7.0%	7.0%	7.0%
Native American	<u>0.5%</u>	<u>-0.1%</u>	<u>0.4%</u>	<u>0.6%</u>	<u>0.6%</u>
Total Change	86.8%	13.2%	100.0%	100.0%	100.0%

Source: California Department of Finance, Race/Ethnicity Population Estimates:
Components of Change of Race for California Counties and State, April 1990 to July 1996
(released on February 4, 1998).

Figure 5
Population by Age Cohort, 1997



Source: California Department of Finance

Sacramento, Central Valley and Northern California regions, migrating households were consistently a strong part of overall population change, felt to lesser degrees throughout the State. However, as recent population changes illustrate, net migration has returned to nearly every region in the State (see Figure 6). In the Bay Area, San Diego, the Central Coast, and the non-metropolitan regions, migration in the July 1996 to 1997 period accounted for over 1 percent of existing population, implying increased demand pressure spurred by these new arrivals.

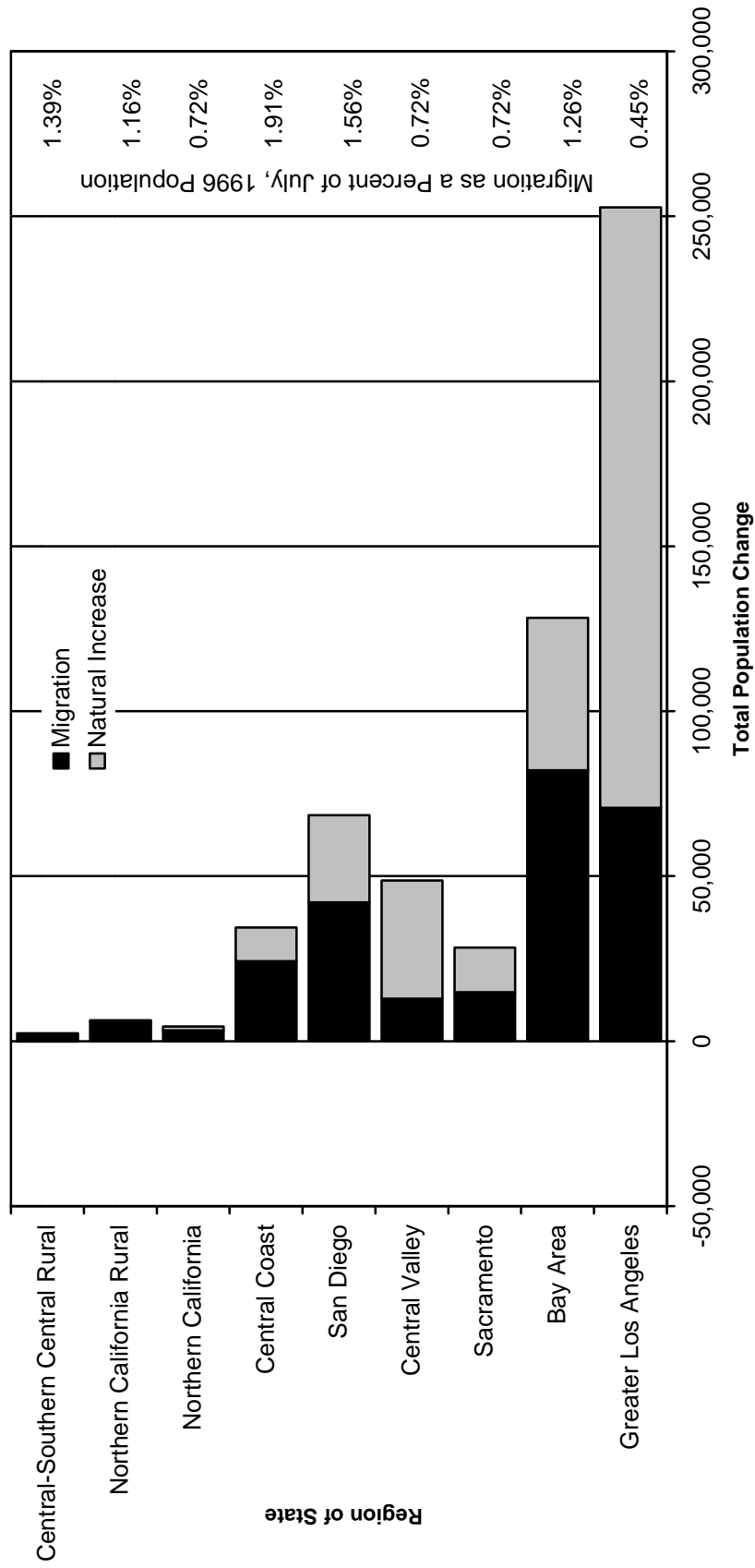
The sources of population growth within individual counties during the July 1996 to July 1997 period echo this trend (see Table 1). In the Greater Los Angeles Region, migration into Los Angeles County remains relatively weak, accounting for only about 16 percent of overall population increase in the County, while migration in Orange, Riverside, and Ventura counties accounts for between 40 and 57 percent of overall population change during the July 1996 to July 1997 period. Conversely, with two exceptions, migration for counties throughout the Bay Area Region accounts for at least 60 percent of overall population change (reaching more than 90 percent in San Francisco County). In the Sacramento Region, outlying counties experienced high migration levels (generally at least two-thirds of overall population change). Migration of population into counties within the Central Valley Region varied significantly, with Madera, San Joaquin and Stanislaus counties experiencing higher relative migration, while Fresno and Tulare counties experienced relatively low migration levels. Migration levels for both San Diego and all counties within the Central Coast Region were relatively high, generally accounting for between 55 and 80 percent of overall population change. Migration to the Northern California Region was relatively strong, with Butte, Shasta and Tehama counties all experiencing shares of migration that were above 70 percent of overall change during the July 1996 to July 1997 period. In both non-metropolitan regions, migration was a significant source of population change in nearly all counties, generally accounting for nearly all growth in population within the counties.

The California Economy – Recession and Recovery

Throughout the early part of the 1990s, the State economy entered a significant and prolonged recession that was felt in varying degrees throughout the State (see Figure 7). Overall, employment in the State declined by nearly 3 percent between the beginning of 1990 and the end of 1993 (a loss of 176,000 jobs). However, between 1994 and 1997, employment grew by over 1.1 million and the State's unemployment rate fell from a high of 9.7 percent in January 1993 to about 6 percent by the end of 1997.

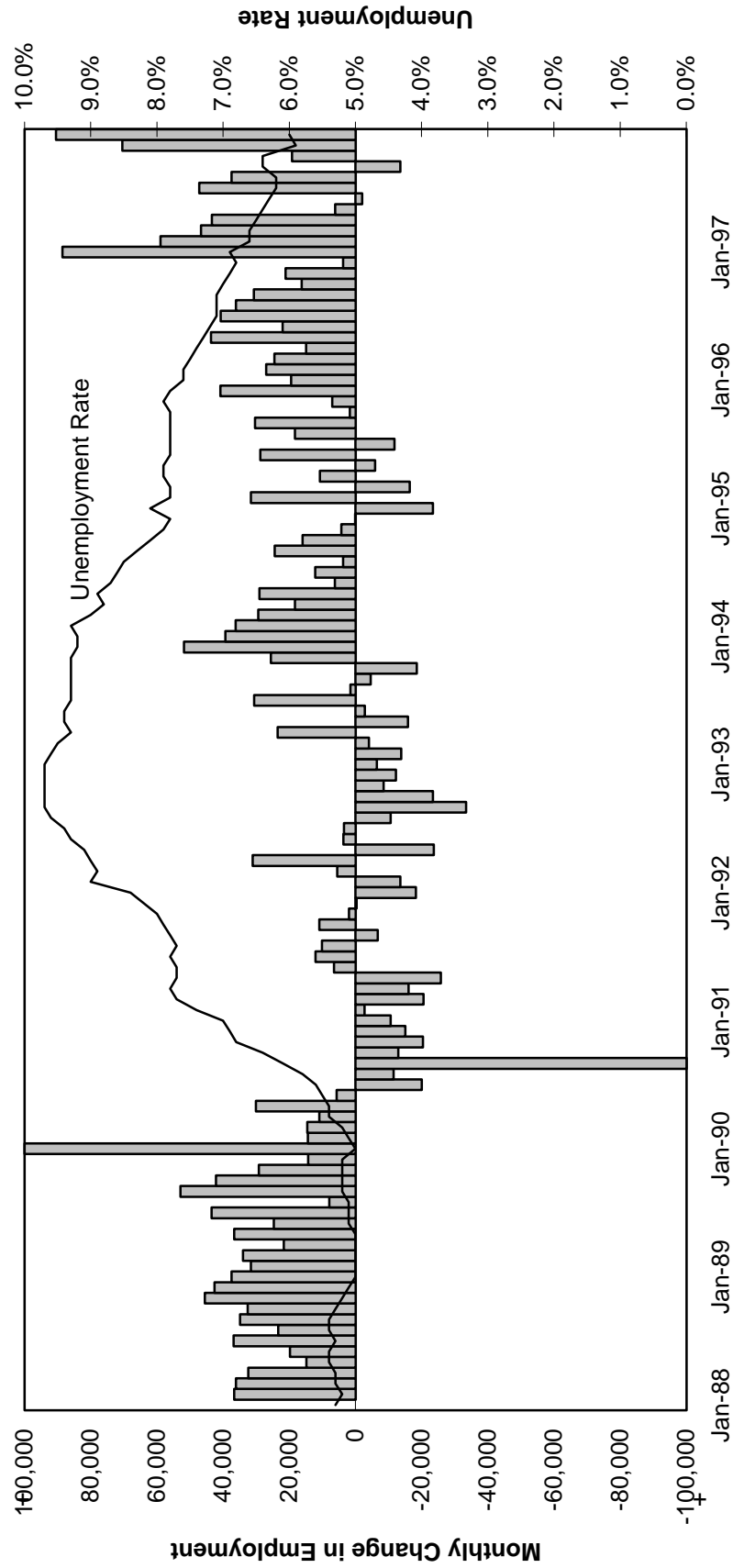
Employment change within individual industries varied significantly during this decade. From January, 1990 to December, 1993, employment in Transportation, Communications and Utilities (TCU) and Services increased modestly, 1.5 and 6.3 percent respectively (see Figure 8 and Table 3). The remaining employment sectors all declined, ranging from -.2 percent for Finance, Insurance and Real Estate (FIRE), to -21.7 and -15.1 percent respectively in the Construction and Manufacturing sectors. Manufacturing declines were unevenly distributed; Durable Manufacturing employment declined by 21.6 percent while Non-durable Manufacturing had declined by about 2.4 percent. With the exception of FIRE, all sectors in the economy recovered in the 1994 to 1997 period, at least returning to positive employment growth. Thus, while the recession caused an absolute constriction in the early 1990s, employment levels recovered, and overall employment within industries had risen by about 7 percent by the end of 1997 (although Manufacturing and FIRE had not returned to beginning of decade levels by the end of 1997).

Figure 6
Components of Growth in California Regions
 July, 1996 to July, 1997



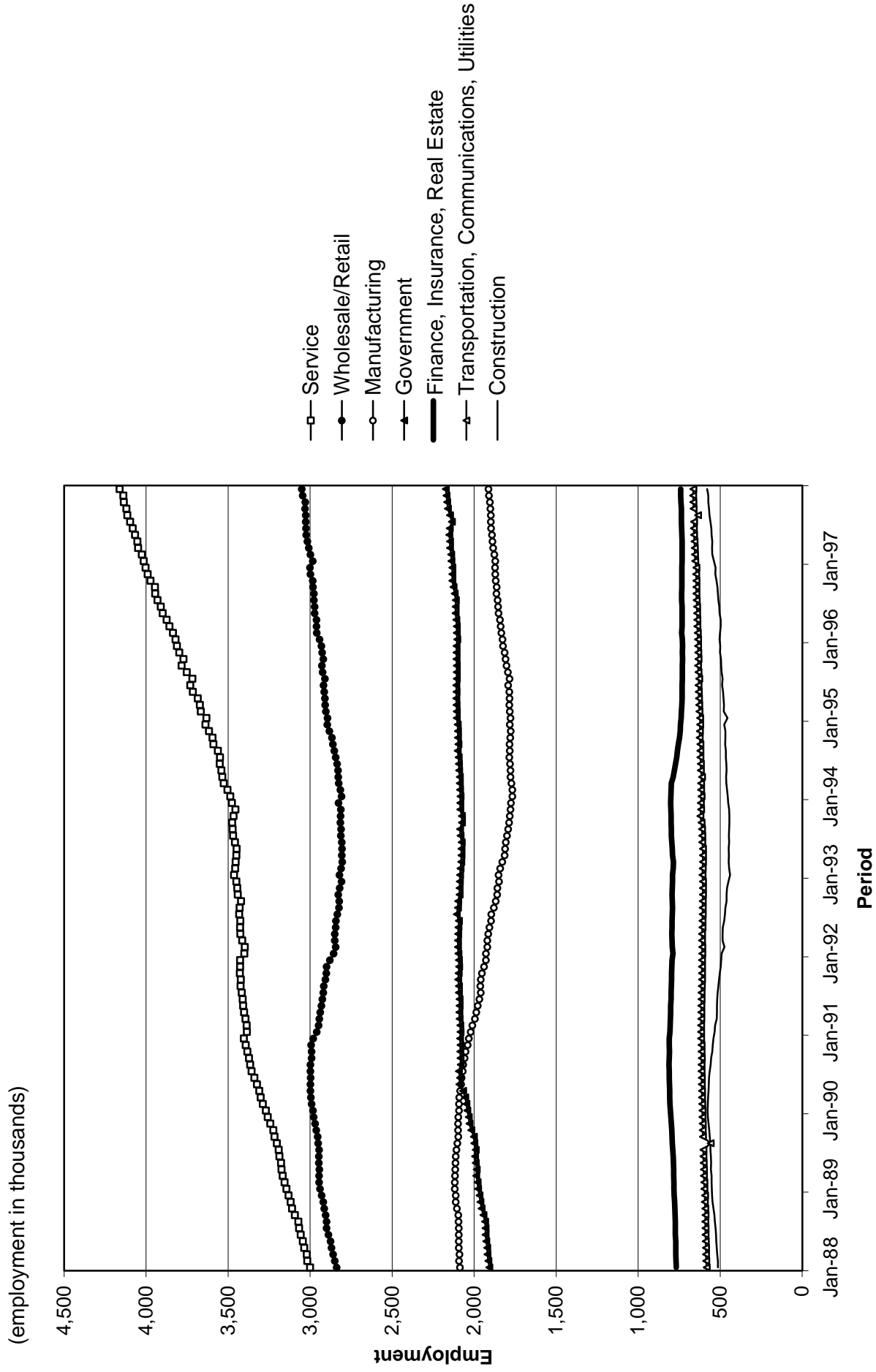
Source: California Department of Finance, Table E-6: Historical County Population Estimates and Components of Change, July 1, 1990 to July 1, 1997. (Released January 25, 1998).

Figure 7
California Unemployment Rate and Growth in Employment
 January, 1988 to December, 1997
 (seasonally adjusted estimates)



Source: U.S. Bureau of Labor Statistics, Local Area Unemployment Statistics, January, 1988 to December, 1997.

Figure 8
Employment Change by Sector for State of California
 January, 1988 to December, 1997



Source: US Bureau of Labor Statistics, SAS06 Series.

Table 3.
Employment Change in California
January 1990 to December 1997

Industrial Sector	% Change in 1990-93 Period	% Change in the 1994 to 1997 Period	% Change in the 1990-97 Period
Construction	-21.7	27.8	0.7
Manufacturing	-15.1	8.3	-8.6
Durable manufacturing	-21.6	9.3	-14.9
Non-durable manufacturing	-2.4	6.6	3.7
Transportation, Communications and Utilities	1.5	8.1	9.2
Wholesale Trade	-9.7	11.9	1.2
Retail Trade	-3.7	7.5	2.7
Finance, Insurance and Real Estate	-0.2	-7.4	-7.8
Services	6.3	19.4	27.3
Government	<u>2.1</u>	<u>4.3</u>	<u>6.4</u>
Total Employment	-2.8	10.6	7.3

Source: U.S. Bureau of Labor Statistics, Employees on Non Farm Payrolls by State and selected Industry Division (seasonally adjusted), various years.

This recession was felt throughout the State. All regions of the State experienced rising unemployment during the early 1990s. Although the relative depth of the recession varied widely within the State (see Table 4).

- In the Bay Area, employment was strong prior to the recession. Thus, unemployment rates reached only 6.5 percent by 1993, rising from 3.8 percent at the beginning of the decade. Individual counties in the Bay Area generally followed this trend. With the exception of Solano and Napa counties, unemployment generally remained relatively low throughout the Bay Area (under 7 percent).
- In contrast, with the exception of Orange County, the Greater Los Angeles Region entered the decade with higher unemployment. By 1993, all areas except Orange County faced unemployment rates above 9 percent throughout the region (up to nearly 12 percent in the Riverside area and over 28 percent in the Imperial County area). Both San Diego and the Sacramento Region experienced unemployment levels between these extremes. In San Diego, unemployment rose to about 7.7 percent by 1993, up from 4.7 at the turn of the decade.
- In the Sacramento Region, while unemployment within counties within the Sacramento metropolitan area rose to about 8.2 percent in 1993, the Yuba City metropolitan area continued to lag the rest of the Region, experiencing unemployment rates that reached nearly 20 percent by the end of 1993.

Table 4
Unemployment Rate in the State of California
1990 to 1996

	1990	1991	1992	1993	1994	1995	1996
Metropolitan Areas							
Greater Los Angeles Metro							
Los Angeles County	5.9	8.2	9.8	9.8	9.4	7.9	8.2
Orange County	3.5	5.3	6.8	6.8	5.7	5.1	4.1
Riverside County	7.0	9.8	11.6	11.9	10.5	9.6	8.2
San Bernardino County	5.5	8.0	9.4	9.9	8.6	7.9	7.2
Ventura County	5.7	7.4	8.9	8.9	7.8	7.4	7.1
Imperial County*	<u>24.7</u>	<u>25.0</u>	<u>29.4</u>	<u>28.5</u>	<u>26.2</u>	<u>28.8</u>	<u>29.4</u>
Total Greater Los Angeles Area	5.6	7.8	9.5	9.6	8.8	7.7	7.5
Bay Area							
San Francisco County	3.8	5.4	6.9	7.0	6.4	6.1	4.7
Marin County	2.5	3.8	5.1	5.1	4.6	4.3	3.4
San Mateo County	2.6	4.0	5.1	5.0	4.7	4.3	3.4
Alameda County	4.0	5.3	6.5	6.6	6.1	5.8	5.0
Contra Costa County	4.0	5.4	6.5	6.5	6.2	5.8	4.9
Santa Clara County	4.0	5.7	6.9	6.8	6.2	5.0	3.6
Sonoma County	3.9	5.5	7.1	6.5	5.8	5.5	4.4
Solano County	4.7	6.1	7.3	8.1	7.6	7.9	7.6
Napa County	<u>4.1</u>	<u>5.6</u>	<u>7.0</u>	<u>7.8</u>	<u>6.9</u>	<u>6.3</u>	<u>6.0</u>
Total Bay Area	3.8	5.3	6.5	6.5	6.0	5.5	4.4
Sacramento							
Sacramento County	4.5	6.5	8.1	8.3	7.2	6.8	6.0
Placer County	4.1	6.3	8.3	7.9	6.6	6.3	5.4
El Dorado County	4.4	6.5	8.3	8.5	7.1	7.0	6.3
Sutter County	13.7	16.4	19.0	19.0	16.4	17.3	15.7
Yuba County	10.3	13.4	16.8	17.9	15.7	14.6	13.9
Yolo County	<u>6.7</u>	<u>7.6</u>	<u>8.0</u>	<u>7.8</u>	<u>6.8</u>	<u>6.9</u>	<u>6.3</u>
Total Sacramento Area	5.2	7.2	8.8	8.9	7.7	7.4	6.6
Central Valley							
Fresno County	11.7	13.4	15.7	15.4	13.8	14.1	13.0
Madera County	13.5	14.9	16.9	16.0	14.8	15.1	14.1
Kern County	10.7	11.9	15.5	15.8	14.7	13.8	12.7
San Joaquin County	9.7	11.7	13.9	14.0	12.6	12.3	11.2
Stanislaus County	11.8	14.6	16.5	16.7	15.7	15.3	14.0
Merced County	12.2	14.8	16.5	17.0	15.5	16.9	16.2
Tulare County	11.8	17.3	16.6	17.9	16.0	16.6	15.9
Kings County*	<u>10.7</u>	<u>12.0</u>	<u>15.3</u>	<u>15.3</u>	<u>13.7</u>	<u>14.5</u>	<u>12.9</u>
Total Central Valley Area	11.2	13.5	15.6	15.8	14.4	14.4	13.3
San Diego							
	4.7	6.3	7.3	7.7	7.0	6.4	5.3

Table 4 (continued)
Unemployment Rate in the State of California
1990 to 1996

	1990	1991	1992	1993	1994	1995	1996
Central Coast							
Monterey County	9.5	11.2	12.4	12.9	12.1	12.5	11.0
San Luis Obispo County	4.8	6.2	7.8	8.4	7.1	6.5	5.5
Santa Barbara County	4.9	5.9	7.4	7.6	7.2	6.7	5.7
Santa Cruz County	7.1	8.8	9.7	10.4	9.7	9.1	8.3
San Benito County*	11.7	15.5	16.9	15.6	13.7	13.5	11.9
Total Central Coast	6.9	8.4	9.7	10.1	9.3	9.0	8.0
Northern California							
Butte County	5.3	3.4	2.9	2.7	2.7	3.0	2.5
Shasta County	8.7	10.9	13.2	12.6	11.9	11.3	9.9
Tehama County*	9.7	11.1	12.4	13.2	11.3	11.0	10.4
Glenn County*	11.4	14.3	17.3	17.2	15.7	15.2	14.9
Colusa County*	14.0	17.5	21.1	21.8	18.1	19.7	19.1
Northern California	8.0	8.8	10.1	9.7	9.0	8.8	7.9
NONMETROPOLITAN AREAS							
Northern Nonmetropolitan California							
Del Norte County*	11.1	11.1	14.2	13.6	11.9	12.3	10.2
Humboldt County*	7.7	8.5	9.8	9.8	8.6	8.3	7.5
Mendocino County*	7.8	10.8	12.7	11.3	9.5	9.6	8.4
Lake County*	8.7	10.4	12.7	13.5	11.8	11.7	11.4
Siskiyou County*	11.6	12.5	15.0	15.5	14.0	14.5	13.4
Modoc County*	8.3	10.8	11.1	13.0	11.8	12.9	11.8
Trinity County*	11.1	12.9	15.0	16.3	14.2	14.5	14.2
Lassen County*	8.0	8.5	9.3	12.3	11.2	11.0	10.6
Plumas County*	9.1	10.1	12.7	14.4	14.2	13.3	11.9
Sierra County*	8.8	8.9	9.1	11.2	10.2	9.4	10.9
Nevada County*	4.8	6.4	8.4	8.2	7.4	7.3	6.8
Northern Nonmetropolitan California	8.1	9.4	11.3	11.4	10.1	10.0	9.1
Central-Southern California							
Amador County*	4.7	6.3	8.4	9.1	8.0	8.2	6.6
Alpine County*	11.4	15.3	19.2	11.3	10.6	10.2	9.7
Calaveras County*	6.1	8.3	10.8	11.8	11.1	11.1	9.2
Tuolumne County*	6.4	8.2	10.8	11.8	10.9	10.8	10.2
Mariposa County*	5.7	7.1	8.8	9.9	9.4	9.4	8.8
Mono County*	6.1	12.2	10.7	9.0	10.3	10.9	10.5
Inyo County*	7.2	9.7	11.4	11.0	10.6	9.3	8.4
Central-Southern California Region	6.0	8.3	10.2	10.8	10.2	10.1	9.0
Total State	5.7	7.7	9.2	9.3	8.6	7.8	7.2

* Non-metropolitan County

SOURCE: U.S. Bureau of Labor Statistics, Local Area Unemployment Statistics, various years.

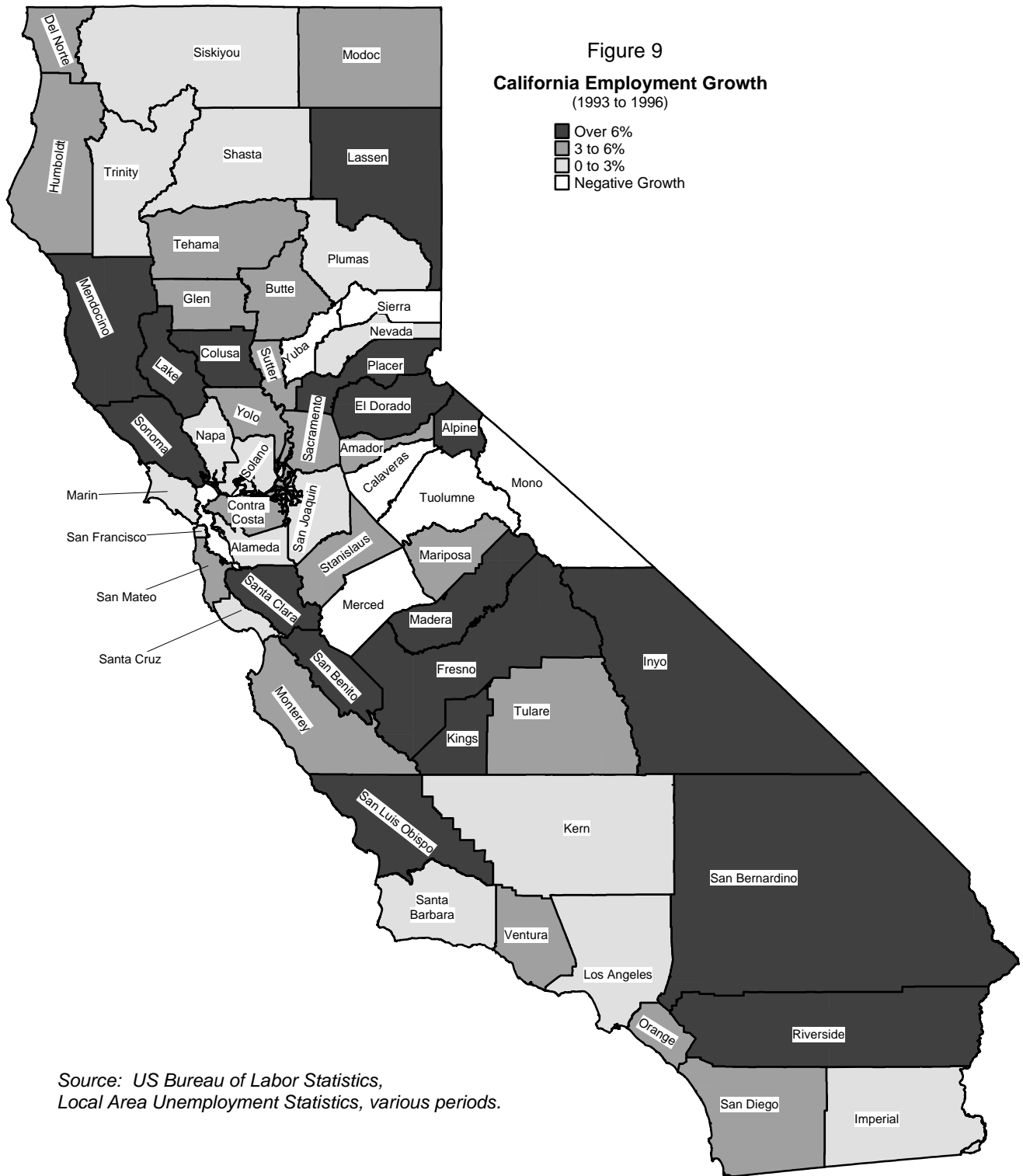
- Counties within the Northern California Region (Shasta to Colusa counties) experienced dramatically different responses to the recession, from less than 3 percent unemployment in the Chico-Paradise area (where unemployment actually declined through the early part of the decade) to over 21 percent in Colusa County.
- In general, the recession hit the remaining regions of the State fairly hard. While several areas within the Central Coast Region had rates that consistently remained under 8 percent, unemployment within the Region reached more than 10 percent by the end of 1993. The Region entered the decade with relatively high unemployment (about 11.2 percent overall in 1990). By 1993, the Region's unemployment rates had reached nearly 16 percent. Finally, overall unemployment in both the Northern and Central non-metropolitan California regions averaged between 10 and 11 percent, with unemployment within individual counties reaching up to nearly 20 percent.

If the recession was unevenly experienced, recovery from the recession also has been uneven. During the 1994 to 1996 period, the relative change in unemployment rates reveals the pace of recovery from the recession (see Figure 9). The Bay Area was less impacted than Southern California, and overall employment during the 1994 to 1996 period remained strong.

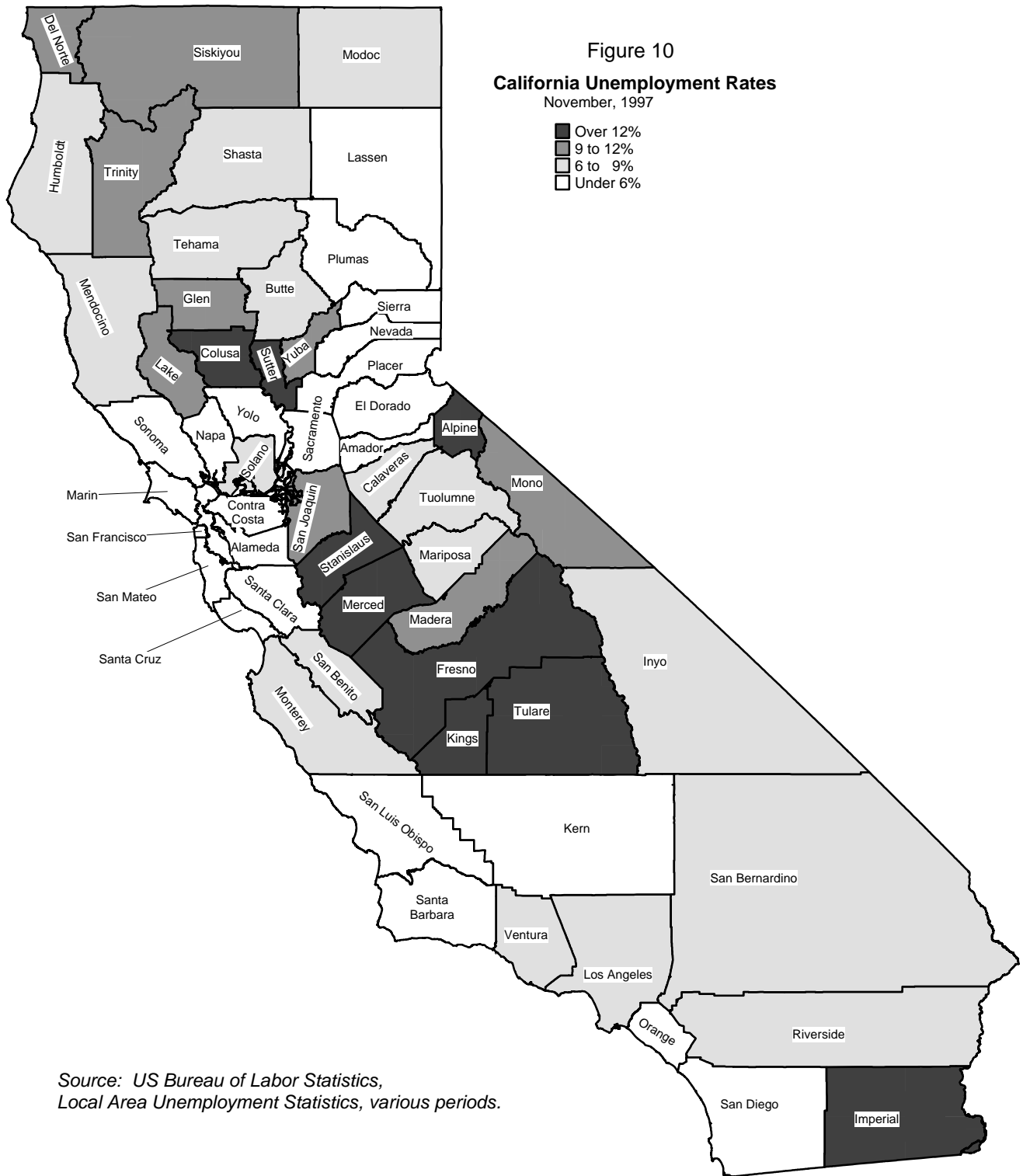
The Greater Los Angeles Region was severely impacted by the recession, and the recovery, while strong, produced uneven employment growth, strong in Orange County and the Riverside/San Bernardino areas, but less in Los Angeles County through the 1996 period. In addition, the Sacramento Area and portions of the Central Valley, the Northern California non-metropolitan Region and coastal areas also expanded employment.

Disparities within the State persisted to the end of 1997 (see Figure 10). While the Bay Area, San Diego and Sacramento areas have experienced strong growth, with unemployment rates below 6 percent at the end of 1997, the Greater Los Angeles Region still had relatively higher rates of unemployment throughout much of the Region (excepting Orange County). In addition, relatively high unemployment levels persisted in much of the Central Valley and non-metropolitan Regions of the State. While employment estimates indicated a gradual improvement within these regions, the sluggish recovery in these areas impacted both the rental and ownership markets, with relatively flat home price movements and weak construction activity.

The varying behavior of the various economies within the State continued to influence the performance of housing markets throughout the State (through the end of 1997). In particular, strong economic performance in the Bay Area generated pressure on housing markets, with both rents and prices impacted by the overall strong economic performance. Similarly, Orange County experienced price pressure, while prices and rents in the rest of the Greater Los Angeles Region lagged. As the Region has continued to recover, the housing market has begun to experience increased pressures. As discussed in subsequent sections, overall price and rent movements have been, and will continue to be, influenced by economic conditions within the regions and counties of California.



Source: US Bureau of Labor Statistics,
Local Area Unemployment Statistics, various periods.



The Pattern of Income in California

Demographic and employment trends are not alone in influencing housing demand. Housing markets are also heavily influenced by income patterns of households. Income impacts the ownership/renter decision and influences the quantity and quality of housing that households can afford. While other factors heavily color household decisions, the ability of households to effectively demand housing is influenced by the underlying income characteristics of the State's residents.

California entered the decade with a median household income of \$35,798 (about \$45,250 in November, 1997 dollars).² Statewide, household income levels varied tremendously, ranging from \$25,900 in Trinity County to over \$61,000 in Marin County (in November 1997 dollars). Incomes were generally highest in the Greater Los Angeles and Bay Area regions (see Figure 11), though the Sacramento and Central Coast regions also had relatively high household income levels.

As highlighted earlier, the State experienced a strong extended recession throughout the early 1990s. This recession had an adverse impact on the overall pattern of incomes within the State. While the recovery has generated new jobs, generally increasing household incomes, information on the overall pattern of income movements is not readily accessible. There are however, two sources of data on income that are indicative of income changes within counties of the State. Per capita income, published by the U.S. Department of Commerce, provides a picture of income movements within individual counties through 1995. In addition, tax return information, published by the State Franchise Tax Board, provides information to assess the relative distribution of income within individual counties within the State.

Per Capita Income

Per capita income within the State peaked in the 1989-90 period, declining through 1994 – with the economic recovery the State has experienced a recovery in incomes (see Figure 12).² Thus, while per capita income grew by 9.6 percent and 6.7 percent from 1980 to 1985 and 1985 to 1990 respectively, it is estimated that real per capita income fell by about 5.5 percent through 1993. By 1995, real per capita income remained about 2.5 percent below 1990 on a statewide basis.

The distribution of per capita incomes varies widely within the State (see Figure 13 and Table 5). The Bay Area had the highest per capita income levels in the State, with per capita income on average 35 percent higher than statewide averages. It had six of the seven highest incomes (including Marin County, with per capita income levels nearly twice the statewide average). While the Greater Los Angeles Region experienced a severe recession, per capita averages within the region were slightly higher than statewide averages. However, only Orange County was significantly higher – per capita incomes in Riverside and San Bernardino were 14 and 22 percent below statewide levels, respectively.

The Central Coast Region was the only other Region with incomes consistently above statewide levels, averaging about 7 percent over statewide levels. Both the Sacramento and San Diego regions had incomes that were near State levels. Per capita incomes throughout the rest of the regions within the State were below the statewide average. In particular, non-metropolitan area incomes were low, averaging about 25 percent below statewide averages.

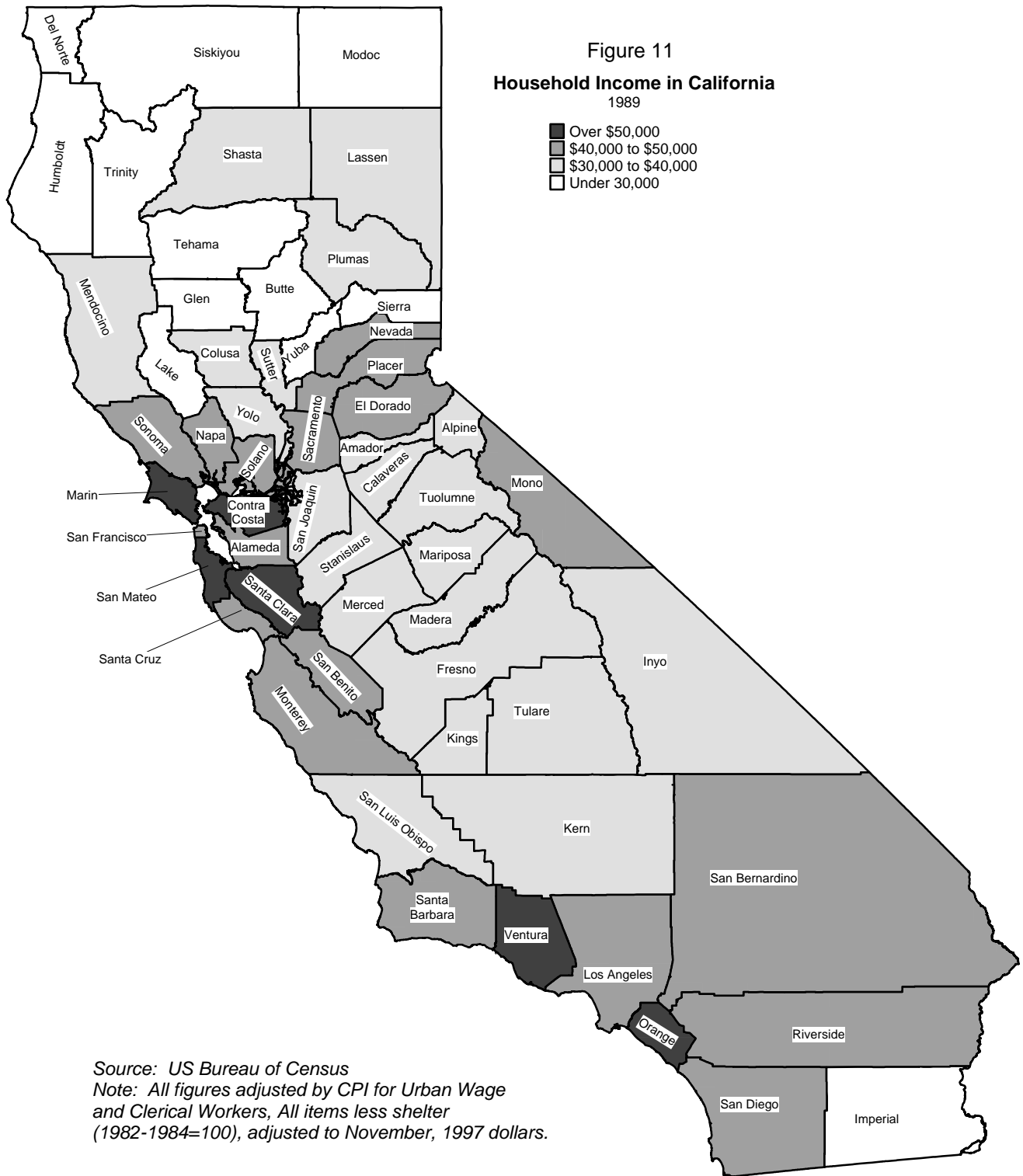
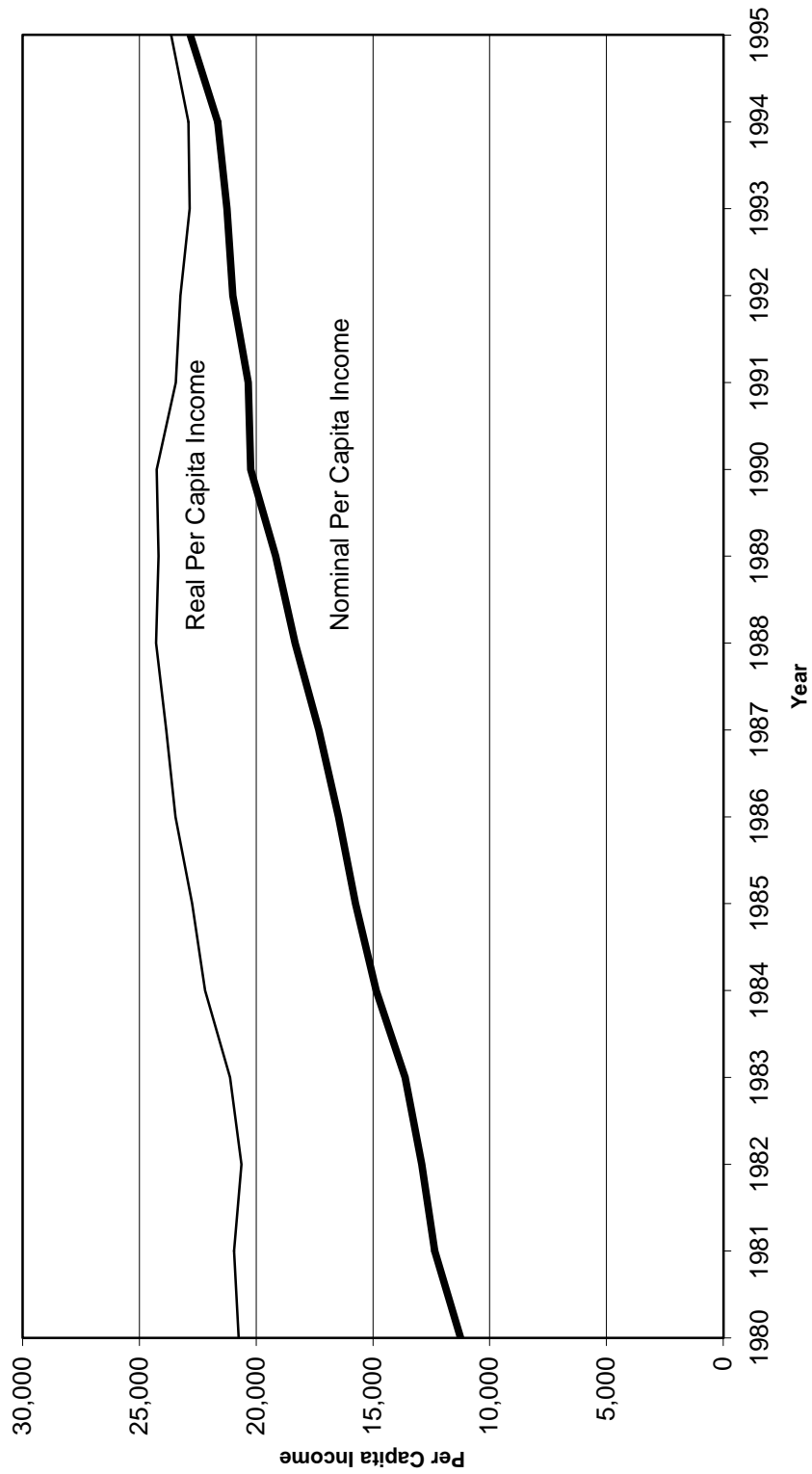


Figure 12
Per Capita Income in California
 1980 to 1995
 (in November, 1997 \$)



Source: US Department of Commerce, CA1-3: Local Area Personal Income and Per Capita Personal Income, 1980 to 1995.
 All real dollar values based on Urban Wage Earners and Clerical Workers, All items less shelter, 1982-1984=100, adjusted to November, 1997.

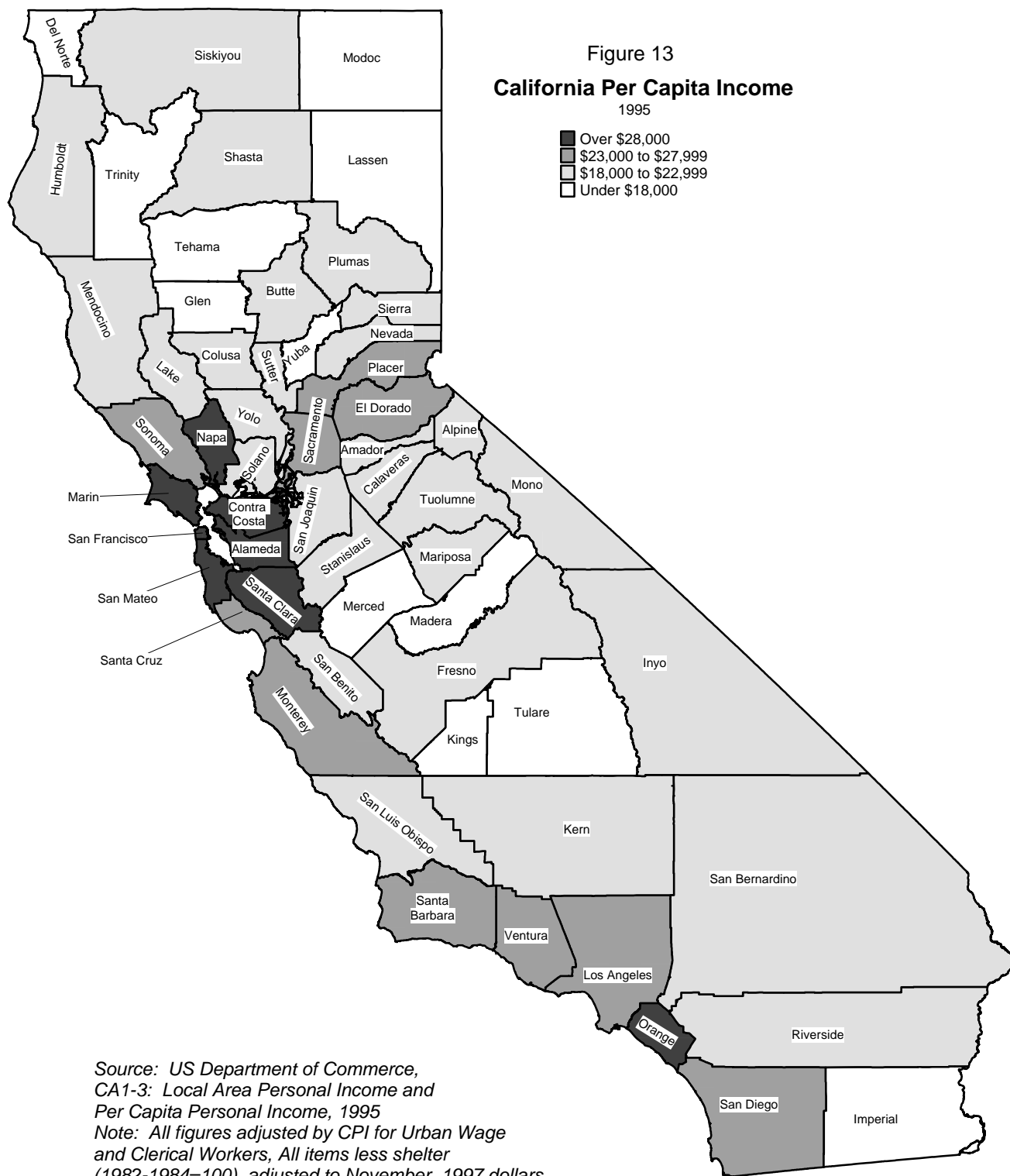


Table 5
Real Per Capita Income Growth
California
1980-1995

(all values adjusted to November, 1997)

	1980	1985	1990	1995	Change 1980-85	Change 1985-90	Change 1990-95
Metropolitan Areas							
Greater Los Angeles							
Los Angeles County	\$ 22,050	\$ 23,938	\$ 25,704	\$ 24,335	8.6%	7.4%	-5.3%
Orange County	\$ 24,461	\$ 27,405	\$ 30,353	\$ 28,394	12.0%	10.8%	-6.5%
Riverside County	\$ 19,773	\$ 21,910	\$ 22,298	\$ 20,329	10.8%	1.8%	-8.8%
San Bernardino County	\$ 18,085	\$ 19,835	\$ 19,866	\$ 18,481	9.7%	0.2%	-7.0%
Ventura County	\$ 20,774	\$ 23,297	\$ 26,246	\$ 25,614	12.1%	12.7%	-2.4%
Imperial County*	\$ 17,185	\$ 15,479	\$ 18,170	\$ 15,315	-9.9%	17.4%	-15.7%
Total Greater Los Angeles Area	\$ 21,918	\$ 23,956	\$ 25,589	\$ 24,037	9.3%	6.8%	-6.1%
Bay Area							
San Francisco County	\$ 27,955	\$ 30,830	\$ 35,941	\$ 37,342	10.3%	16.6%	3.9%
Marin County	\$ 32,134	\$ 39,036	\$ 42,963	\$ 44,856	21.5%	10.1%	4.4%
San Mateo County	\$ 27,382	\$ 32,047	\$ 35,348	\$ 37,073	17.0%	10.3%	4.9%
Alameda County	\$ 22,003	\$ 24,939	\$ 27,168	\$ 28,032	13.3%	8.9%	3.2%
Contra Costa County	\$ 24,945	\$ 28,974	\$ 31,305	\$ 32,355	16.2%	8.0%	3.4%
Santa Clara County	\$ 24,371	\$ 28,530	\$ 30,682	\$ 32,605	17.1%	7.5%	6.3%
Sonoma County	\$ 21,228	\$ 24,370	\$ 26,680	\$ 26,807	14.8%	9.5%	0.5%
Solano County	\$ 18,908	\$ 21,763	\$ 22,305	\$ 22,650	15.1%	2.5%	1.5%
Napa County	\$ 21,538	\$ 24,887	\$ 27,821	\$ 28,871	15.6%	11.8%	3.8%
Total Bay Area	\$ 24,595	\$ 28,280	\$ 30,834	\$ 32,074	15.0%	9.0%	4.0%
Sacramento							
Sacramento County	\$ 19,723	\$ 21,405	\$ 23,516	\$ 23,856	8.5%	9.9%	1.4%
Placer County	\$ 20,663	\$ 23,643	\$ 26,329	\$ 26,854	14.4%	11.4%	2.0%
El Dorado County	\$ 19,164	\$ 21,724	\$ 23,779	\$ 23,983	13.4%	9.5%	0.9%
Sutter County	\$ 19,714	\$ 19,666	\$ 20,156	\$ 20,469	-0.2%	2.5%	1.6%
Yuba County	\$ 14,860	\$ 14,656	\$ 15,179	\$ 15,048	-1.4%	3.6%	-0.9%
Yolo County	\$ 20,420	\$ 20,316	\$ 22,150	\$ 22,867	-0.5%	9.0%	3.2%
Total Sacramento Area	\$ 19,640	\$ 21,216	\$ 23,285	\$ 23,684	8.0%	9.8%	1.7%
Central Valley							
Fresno County	\$ 19,583	\$ 18,397	\$ 19,659	\$ 18,979	-6.1%	6.9%	-3.5%
Madera County	\$ 19,449	\$ 15,577	\$ 17,491	\$ 16,404	-19.9%	12.3%	-6.2%
Kern County	\$ 19,825	\$ 18,882	\$ 19,010	\$ 18,251	-4.8%	0.7%	-4.0%
San Joaquin County	\$ 19,207	\$ 18,905	\$ 19,781	\$ 19,544	-1.6%	4.6%	-1.2%
Stanislaus County	\$ 17,802	\$ 19,021	\$ 19,810	\$ 18,766	6.9%	4.1%	-5.3%
Merced County	\$ 17,253	\$ 16,615	\$ 17,515	\$ 16,209	-3.7%	5.4%	-7.5%
Tulare County	\$ 17,067	\$ 15,752	\$ 17,286	\$ 16,717	-7.7%	9.7%	-3.3%
King County*	\$ 20,071	\$ 15,264	\$ 14,738	\$ 14,479	-23.9%	-3.4%	-1.8%
Total Central Valley Area	\$ 18,894	\$ 18,031	\$ 18,912	\$ 18,213	-4.6%	4.9%	-3.7%
San Diego	\$ 19,844	\$ 22,624	\$ 24,165	\$ 24,089	14.0%	6.8%	-0.3%
Central Coast							
Monterey County	\$ 20,361	\$ 21,931	\$ 23,354	\$ 26,167	7.7%	6.5%	12.0%
San Luis Obispo County	\$ 17,335	\$ 19,705	\$ 21,041	\$ 21,217	13.7%	6.8%	0.8%
Santa Barbara County	\$ 22,349	\$ 25,105	\$ 26,637	\$ 26,778	12.3%	6.1%	0.5%
Santa Cruz County	\$ 20,661	\$ 23,047	\$ 26,183	\$ 27,132	11.5%	13.6%	3.6%
San Benito County*	\$ 18,050	\$ 19,103	\$ 20,696	\$ 18,915	5.8%	8.3%	-8.6%
Total Central Coast	\$ 20,487	\$ 22,674	\$ 24,396	\$ 25,376	10.7%	7.6%	4.0%
Northern California							
Butte County	\$ 16,751	\$ 17,223	\$ 18,502	\$ 18,681	2.8%	7.4%	1.0%
Shasta County	\$ 16,981	\$ 17,886	\$ 20,418	\$ 20,252	5.3%	14.2%	-0.8%
Tehama County*	\$ 15,759	\$ 15,566	\$ 15,760	\$ 15,692	-1.2%	1.2%	-0.4%
Glenn County*	\$ 21,711	\$ 17,288	\$ 16,922	\$ 16,429	-20.4%	-2.1%	-2.9%
Colusa County*	\$ 26,077	\$ 22,365	\$ 20,877	\$ 20,501	-14.2%	-6.7%	-1.8%
Northern California	\$ 17,392	\$ 17,462	\$ 18,851	\$ 18,825	0.4%	8.0%	-0.1%

Table 5 (continued)
Real Per Capita Income Growth
 California
 1980-1995

(all values adjusted to November, 1997)

	1980	1985	1990	1995	Change 1980-85	Change 1985-90	Change 1990-95
NONMETROPOLITAN AREAS							
Northern Nonmetropolitan California							
Del Norte County*	\$ 16,989	\$ 15,491	\$ 15,896	\$ 15,465	-8.8%	2.6%	-2.7%
Humboldt County*	\$ 17,773	\$ 18,076	\$ 19,249	\$ 19,589	1.7%	6.5%	1.8%
Mendocino County*	\$ 17,943	\$ 18,333	\$ 19,855	\$ 20,371	2.2%	8.3%	2.6%
Lake County*	\$ 17,669	\$ 18,599	\$ 19,981	\$ 19,737	5.3%	7.4%	-1.2%
Siskiyou County*	\$ 18,030	\$ 16,968	\$ 18,504	\$ 18,487	-5.9%	9.0%	-0.1%
Modoc County*	\$ 23,003	\$ 16,363	\$ 17,403	\$ 16,070	-28.9%	6.4%	-7.7%
Trinity County*	\$ 14,831	\$ 15,194	\$ 16,636	\$ 16,441	2.4%	9.5%	-1.2%
Lassen County*	\$ 15,704	\$ 15,464	\$ 15,030	\$ 16,628	-1.5%	-2.8%	10.6%
Plumas County*	\$ 17,299	\$ 18,407	\$ 20,024	\$ 20,548	6.4%	8.8%	2.6%
Sierra County*	\$ 17,227	\$ 18,114	\$ 18,699	\$ 19,857	5.1%	3.2%	6.2%
Nevada County*	\$ 17,788	\$ 19,526	\$ 22,414	\$ 21,659	9.8%	14.8%	-3.4%
Northern Nonmetropolitan California	\$ 17,668	\$ 17,917	\$ 19,395	\$ 19,497	1.4%	8.2%	0.5%
Central-Southern California							
Amador County*	\$ 18,009	\$ 19,542	\$ 19,293	\$ 19,427	8.5%	-1.3%	0.7%
Alpine County*	\$ 17,042	\$ 17,672	\$ 22,551	\$ 22,889	3.7%	27.6%	1.5%
Calaveras County*	\$ 16,352	\$ 19,248	\$ 20,334	\$ 18,611	17.7%	5.6%	-8.5%
Tuolumne County*	\$ 16,816	\$ 17,728	\$ 18,906	\$ 18,861	5.4%	6.6%	-0.2%
Mariposa County*	\$ 16,732	\$ 18,340	\$ 20,115	\$ 18,903	9.6%	9.7%	-6.0%
Mono County*	\$ 20,020	\$ 21,206	\$ 21,293	\$ 20,797	5.9%	0.4%	-2.3%
Inyo County*	\$ 18,580	\$ 18,934	\$ 21,248	\$ 21,378	1.9%	12.2%	0.6%
Central-Southern California	\$ 17,452	\$ 18,814	\$ 19,848	\$ 19,346	7.8%	5.5%	-2.5%
Metropolitan Areas	\$ 20,844	\$ 22,909	\$ 24,440	\$ 23,828	9.9%	6.7%	-2.5%
* Non-metropolitan Areas	\$ 17,980	\$ 17,481	\$ 18,661	\$ 18,107	-2.8%	6.8%	-3.0%
Total State	\$ 20,752	\$ 22,735	\$ 24,253	\$ 23,636	9.6%	6.7%	-2.5%

NOTE: All figures adjusted by Los Angeles Consumer Price Index-Urban Wage Earners and Clerical Workers,
 All Items Less Shelter (1982-84=100), adjusted to November 1997.

SOURCE: US Department of Commerce, CA1-3: Local Area Personal Income and Per Capita Personal Income, various years.

While 1995 per capita income levels indicate the relative position of areas within the State, they do not indicate the relative shift within the decade. Looking at changing per capita income during the 1990 to 1995 period highlights the relative changes that have taken place within the State (see Table 5 and Figure 14), reflecting a decline of 2.5 percent statewide. This is in sharp contrast to the increases of 9.6 percent and 6.7 percent for the 1980 to 1985 and 1985 to 1990 periods, respectively. The Bay Area performed well over this period (real per capita increases for the Region grew by about 4 percent during the period). This growth occurred throughout the Bay Area, with San Francisco, Marin, San Mateo, Napa and Santa Clara counties growing by more than 3.7 percent during the period (the 6.3 percent growth in Santa Clara per capita income was the strongest of any urban area within the State). The Sacramento Region experienced a real growth in per capita income of about 1.7 percent, while the Central Coast Region experienced growth paralleling the Bay Area (4 percent overall) and the Northern Non-metropolitan California Region experienced a .5 percent increase overall.

Throughout the rest of the State, regions consistently experienced declines in real per capita income levels (though individual counties did experience positive growth in real per capita incomes). In fact, 31 of the State's 58 counties experienced declines in per capita income in the 1990 to 1995 period. In particular, there were significant declines in both the Central Valley and the Greater Los Angeles regions, declining 3.7 and 6.1 percent respectively. A particularly high rate of decline (15.7 percent) occurred in Imperial County during the 1990 to 1995 period.

While there has been a turn around in many regions (including the Greater Los Angeles Region), the underlying demand for housing has been influenced by the weak income movements throughout this decade, particularly influencing demand for homeownership. With the exception of the Bay Area, where there were strong price pressures through much of this decade, underlying prices and housing starts through 1997 have reflected this weak income picture.

Taxable Income

While per capita income highlights the general trend in income, it does not provide a picture of the distribution of household income. As others have posited,³ while overall income could rise (including per capita income), the distribution of income could change, impacting the types of housing demand and housing policy required to address the needs generated by increasing disparity within the State. There are few data sources available that offer insight at a level below State aggregates.⁴ One source of more detailed information is income tax information published by the California State Franchise Tax Board. While there are biases in the data (see Figure 15),⁵ it does offer a picture of the relative composition of income within the State.

For many reasons, it would not be prudent to assume these estimates are an accurate reflection of underlying household incomes. However, the data does reveal information about the relative distribution of income within the State, particularly over time. The relative shifting of tax returns in various income categories does provide insight into the distribution of income within the State, particularly if comparisons are made between tax periods. Since the underlying "rules" have remained relatively consistent, the information is indicative of the underlying change in the distribution of income for households within the State.

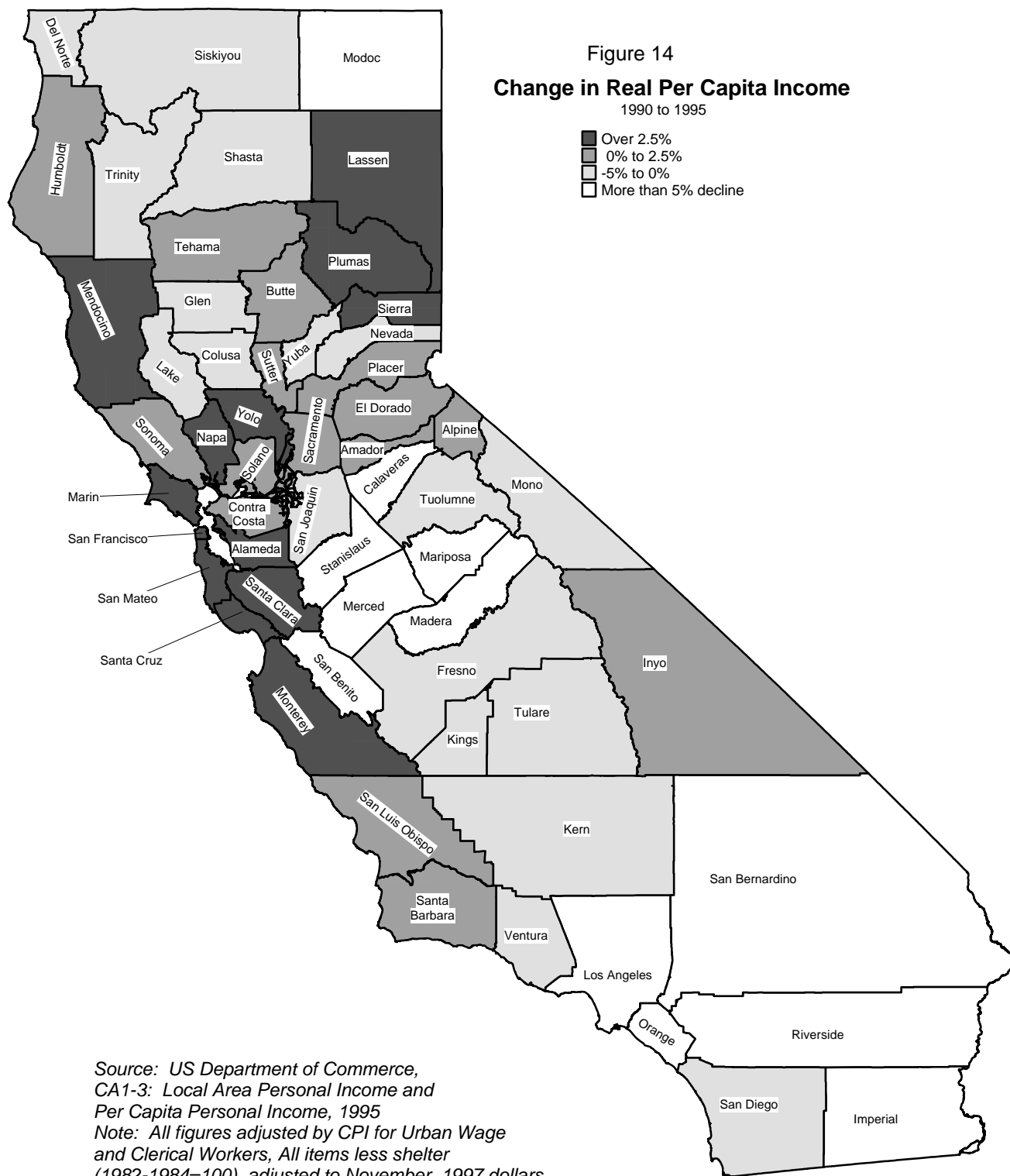
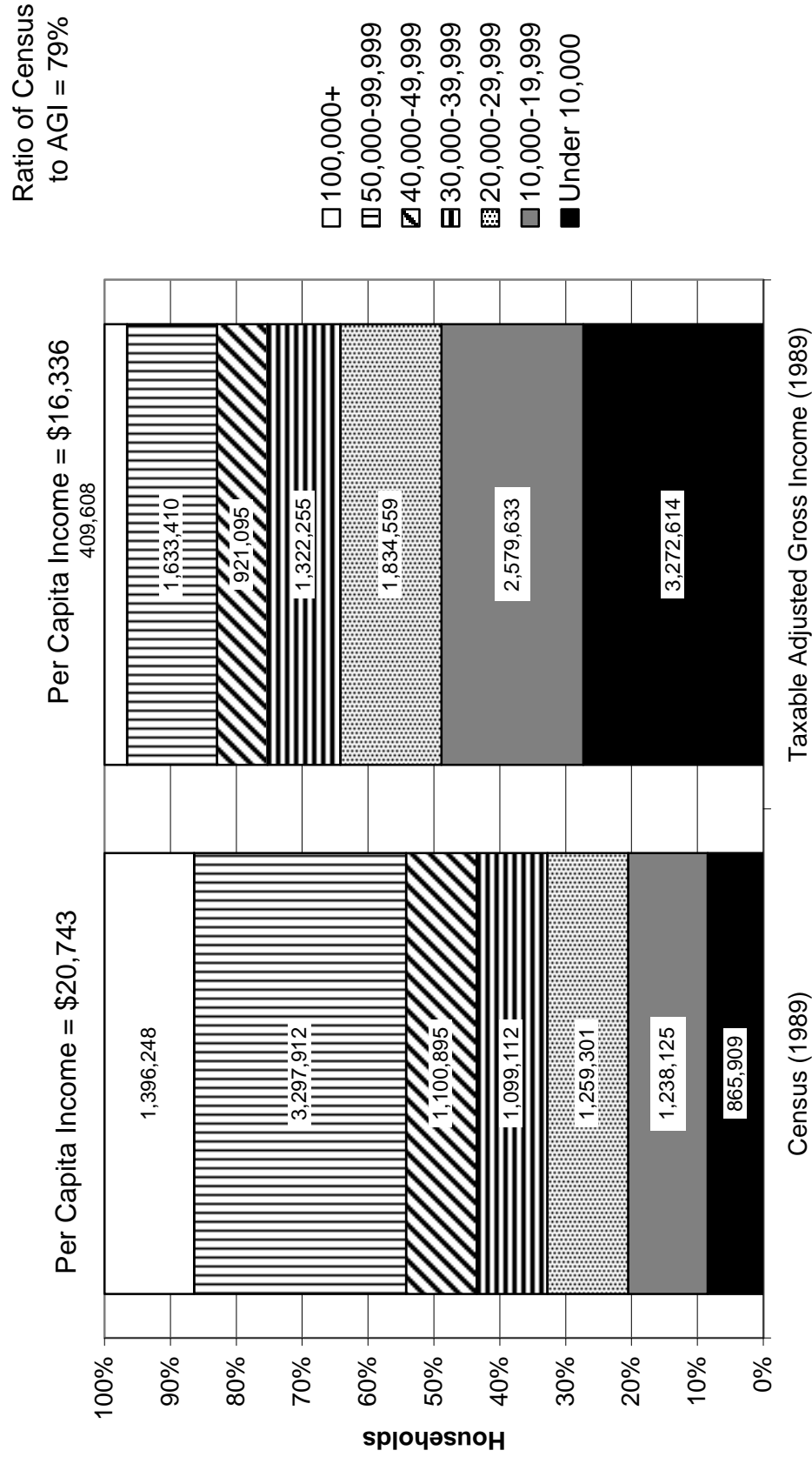


Figure 15
Comparison of Taxable Income and Census Income
 1989
 (in November, 1997 \$)



Sources: US Census; STF 3A, California State Tax Franchise Board, 1990 Annual Report.

Within the State overall, there was a marked increase in the number of households with lower adjusted gross income during the recession (see Figure 16). The number of filings with adjusted gross income below \$15,000 increased by nearly 600,000 between 1989 and 1992, rising from about 30 to 35 percent of total returns. Conversely, the percentage of total returns with incomes over \$60,000 declined modestly from 1989 to 1992, largely due to the increased number of lower-income filings. However, by 1994, the relative distribution of returns returned to 1989 levels.

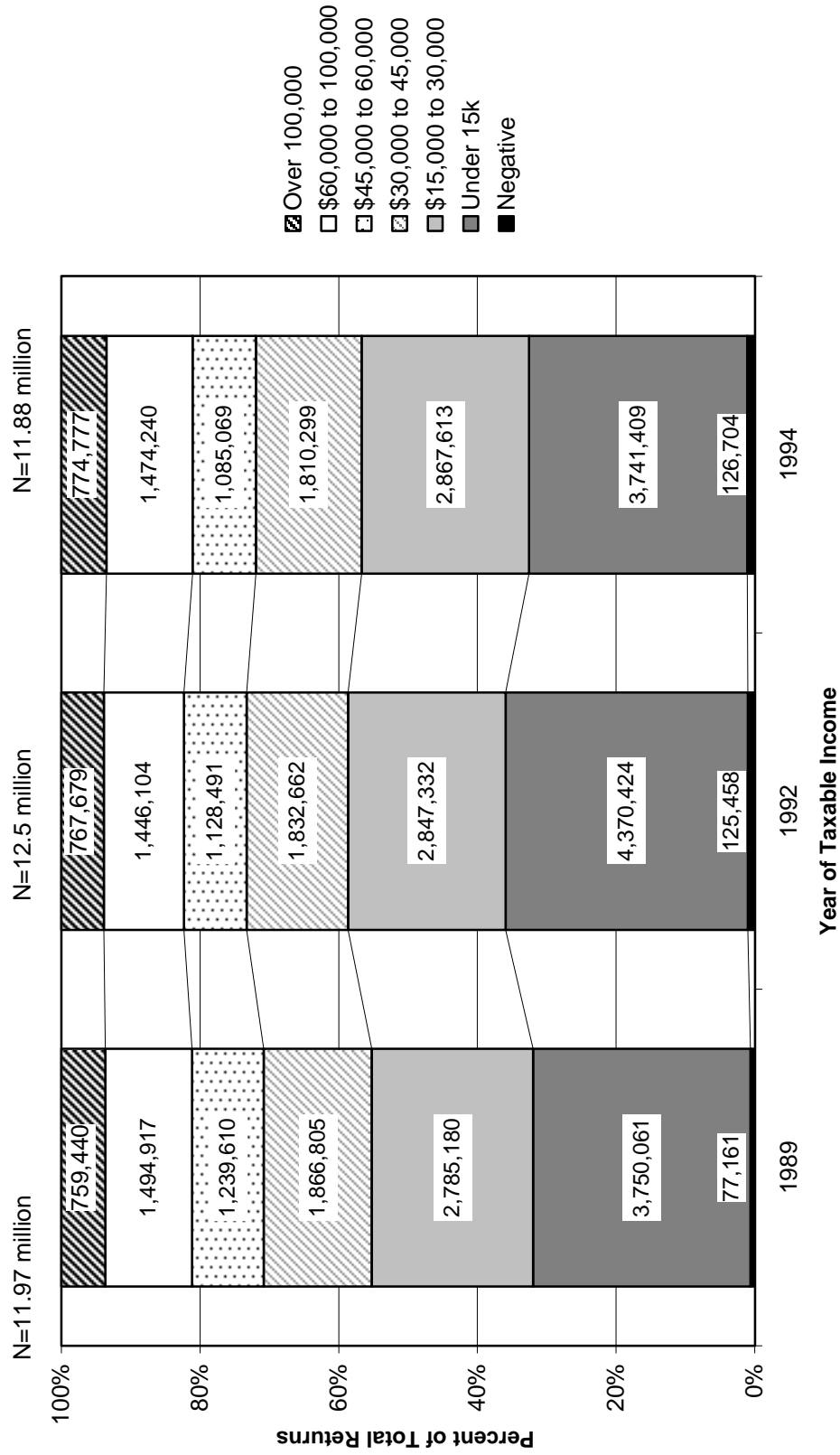
This implies that, based on tax return data, though households were impacted by the recession, there was not a significant shift in the underlying distribution of income within the State in the 1989 to 1994 period. While there is strong income inequality (see Figure 17), the underlying inequalities implied by the tax return data did not increase significantly during the period.⁶

Overall, the relative dispersion between mean and median income values within the State did not shift significantly during the 1989 to 1994 period, implying that the disparity in the distribution of income within households did not increase significantly. While there was a significant increase in disparity in the 1992 period (presumably caused by the recession), the overall income distribution within the State appears to have improved following the recession. There was a slight increase – the ratio of mean to median income rose from 1.55 to 1.57 within the State, implying a slightly increased dispersion of taxable gross income within the State (a ratio of 1.01 for the two periods).

While overall income disparity in the distribution within the State did not increase between 1989 and 1994, this is not meant to indicate that income disparity has not increased anywhere within the State. There is significant variation in the relative change in the distribution of income evident within counties and regions of the State (see Figure 18). In key areas of the State, these estimates imply an increasing dispersion of incomes, implying greater distances between the “haves” and the “have nots.” Much of the Bay Area (Marin, San Francisco, San Mateo, and Santa Clara counties) has greater dispersion in mean vs. median taxable income in 1994, implying increased disparity of incomes for households in these counties. Similarly, in Orange, Ventura, and Riverside counties, there appears to be greater disparity of incomes between households within these areas. In general, this dispersion is influenced by a relative increase in tax returns that are concentrated at the lower incomes. In the remaining areas, the figures imply that the relative disparity between income groups had not significantly changed.

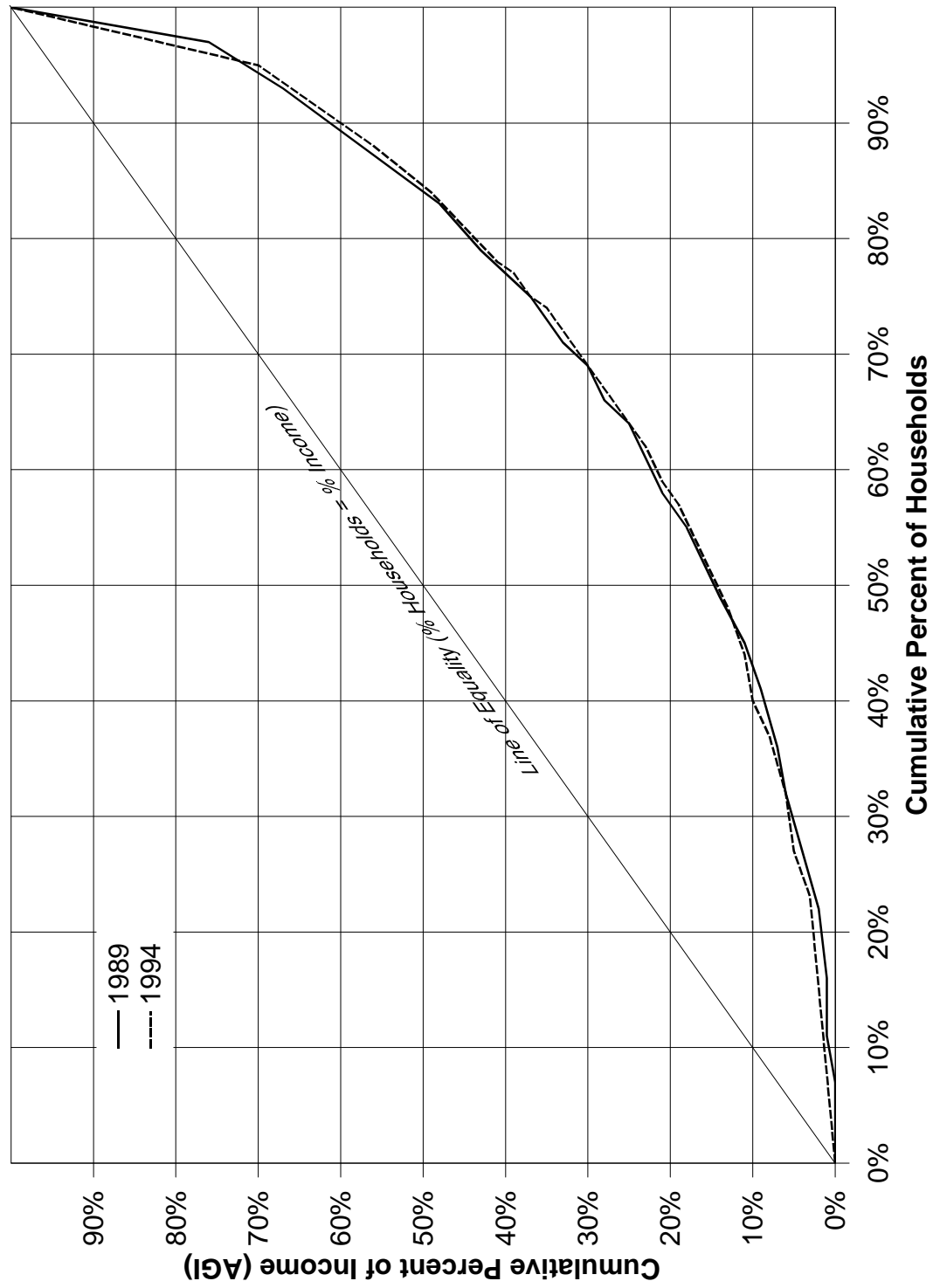
Particularly in the Bay Area and Orange County, these estimates highlight a growing income disparity within counties that have been experiencing significant price pressures. In these instances, the ability of renter households to effectively compete in housing markets is declining precisely as prices are rising. With rents rising (see discussion of rent movements that follows), renter households are particularly impacted by the changing income distribution. Pressures from high housing costs on declining income sources will exacerbate the problems of low-income households within the State.

Figure 16
**Movement of Adjusted Gross Income for California Taxpayers
 1989 to 1994**
 (all values expressed in November, 1997 \$)

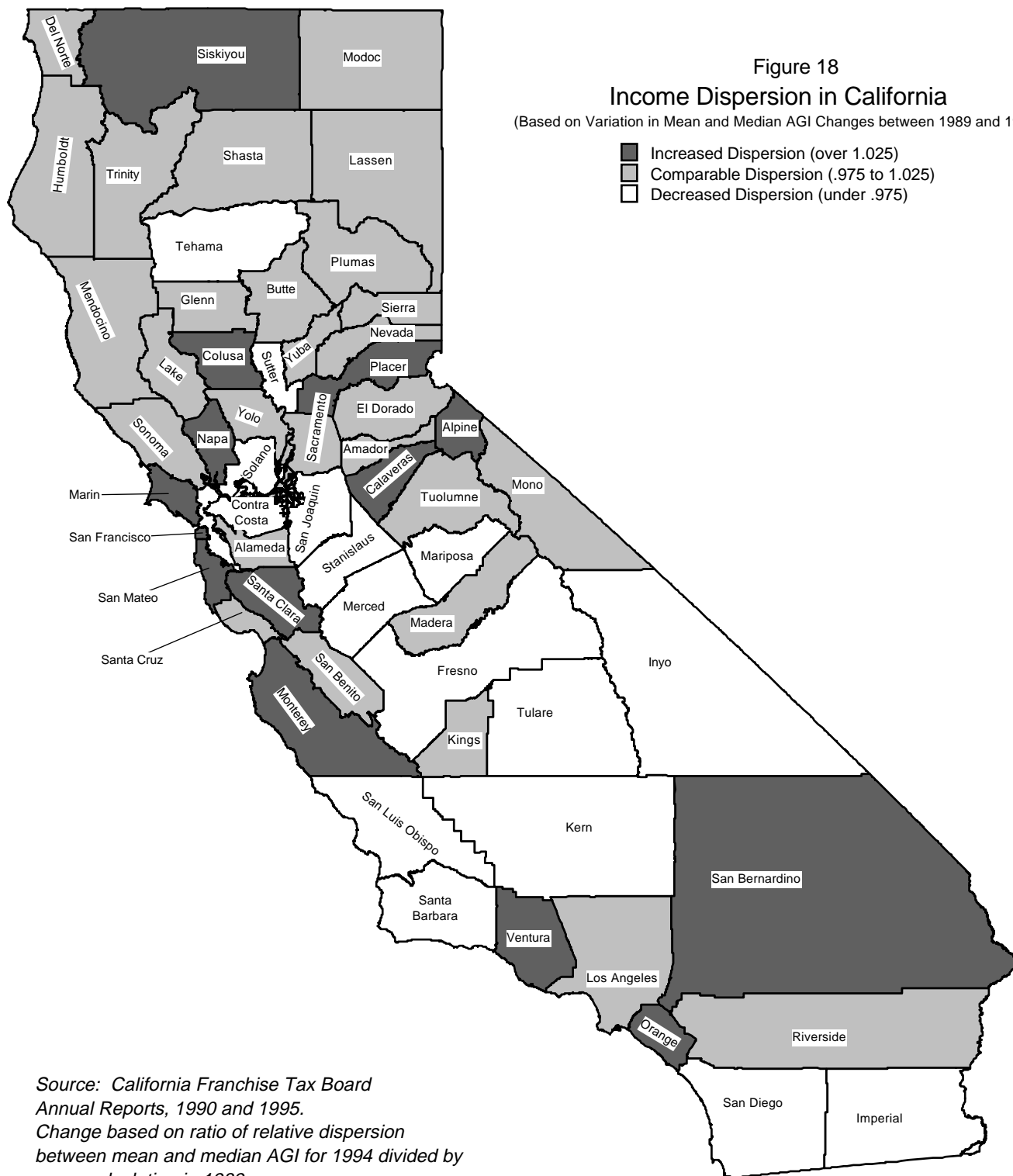


Source: California Franchise Tax Board Annual Reports, 1990, 1993, 1995

Figure 17
Income Inequality in California, 1989 to 1994



Source: California Franchise Tax Board, 1990 and 1995



Source: California Franchise Tax Board
 Annual Reports, 1990 and 1995.
 Change based on ratio of relative dispersion
 between mean and median AGI for 1994 divided by
 same calculation in 1989.